

COPY

The Asbury Place at
Maryville

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ASBURY PLACE AT MARYVILLE
CERTIFICATE OF NEED APPLICATION
RENOVATION OF ONE HUNDRED-EIGHTY-ONE (181) BED FACILITY
AUGUST 2015



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building

500 Deaderick Street, 9th Floor Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

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**INSTRUCTIONS FOR FILING AN APPLICATION FOR
A CERTIFICATE OF NEED**

Please read the following instructions, the Rules and Regulations of the Agency, and Tennessee Code Annotated, §68-11-1601 *et seq.*, prior to preparation of this application.

DOCUMENTATION: In preparing this application, it is the applicant's responsibility to demonstrate through its answers that the project is necessary to provide needed health care in the area to be served, that it can be economically accomplished and maintained, and that it will contribute to the orderly development of adequate and effective health care facilities and/or services in this area. Consult Tennessee Code Annotated, §68-11-1601 *et seq.*, Health Services and Development Agency Rule 0720-4-.01, and the criteria and standards for certificate of need document Tennessee's Health: Guidelines for Growth, for the criteria for consideration for approval. Tennessee's Health: Guidelines for Growth is available from the Tennessee Health Services and Development Agency or from the Agency's website at www.tennessee.gov/HSDA. Picture of the Present is a document, which provides demographic, vital, and other statistics by county available from the Tennessee Department of Health, Bureau of Policy, Planning, and Assessment, Division of Health Statistics and can be accessed from the Department's website at www2.state.tn.us/health/statistics/HealthData/pubs title.htm.

Please note that all applications must be submitted in triplicate (1 original and 2 copies) on single-sided, unbound letter size (8 x 11 1/2) paper, and not be stapled nor have holes punched. Cover letter should also be in triplicate. If not in compliance as requested, application may be returned or reviewing process delayed until corrected pages are submitted.

REVIEW CYCLES: A review cycle is no more than sixty (60) days. The review cycle begins on the first day of each month.

COMMUNICATIONS: All documents for filing an application for Certificate of Need with the Health Services and Development Agency must be received during normal business hours (8:00a.m. - 4:30p.m. Central Time) at the Agency office, located at the Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243. For the purpose of filing Letters of Intent, application forms, and responses to supplemental information, the filing date is the actual date of receipt in the Agency office. These documents, as well as other required documents must be received as original, signed documents in the

Agency office. Fax and e-mail transmissions **will not** be considered to be properly filed documentation. In the event that the last appropriate filing date falls on a Saturday, Sunday, or legal holiday, such filing should occur on the preceding business day. All documents are to be filed with the Agency in ***single-sided and in triplicate***.

LETTER OF INTENT: Applications shall be commenced by the filing of a Letter of Intent. The Letter of Intent must be filed with the Agency between the first day and the tenth day of the month prior to the beginning of the review cycle in which the application is to be considered. This allowable filing period is inclusive of both the first day and the tenth day of the month involved. The Letter of Intent must be filed in the form and format as set forth in the application packet.

Any Letter of Intent that fails to include all information requested in the Letter of Intent form, or is not timely filed, will be deemed void, and the applicant will be notified in writing. The Letter of Intent may be refiled but, if refiled, is subject to the same requirements as set out above.

PUBLICATION OF INTENT: Simultaneously with the filing of the Letter of Intent, the Publication of Intent should be published for one day in a newspaper of general circulation in the proposed service area of the project. The Publication of Intent must be in the form and format as set forth in the application packet. The Publication of Intent should be placed in the Legal Section in a space no smaller than four (4) column inches. Publication must occur between the first day and the tenth day of the month, inclusive.

1. A "newspaper of general circulation" means a publication regularly issued at least as frequently as once a week, having a second-class mailing privilege, includes a Legal Notice Section, being not fewer than four (4) pages, published continuously during the immediately preceding one-year period, which is published for the dissemination of news of general interest, and is circulated generally in the county in which it is published and in which notice is given.
2. In any county where a "newspaper of general circulation" does not exist, the Agency's Executive Director is authorized to determine the appropriate publication to receive any required Letter of Intent. A newspaper which is engaged in the distribution of news of interest to a particular interest group or other limited group of citizens, is not a "newspaper of general circulation."
3. In the case of an application for or by a home care organization, the Letter of Intent must be published in each county in which the agency will be licensed or in a regional newspaper which qualifies as a newspaper of general circulation in each county. In those cases where the Publication of Intent is published in more than one newspaper, the earliest date of publication shall be the date of publication for the purpose of determining simultaneous review deadlines and filing the application.

PROOF OF PUBLICATION: Documentation of publication must be filed with the application form. Please submit proof of publication with the application by attaching

either the full page of the newspaper in which the notice appeared, with the ***mast and dateline intact***, or a publication affidavit from the newspaper.

SIMULTANEOUS REVIEW: Those persons desiring a simultaneous review for a Certificate of Need for which a Letter of Intent has been filed should file a Letter of Intent with the Agency and the original applicant (as well as any other applicant filing a simultaneous review), and should publish the Letter of Intent simultaneously in a newspaper of general circulation in the same county as the original applicant. The publication of the Letter of Intent by the applicant seeking simultaneous review must be published within ten (10) days after publication by the original applicant.

1. Only those applications filed in accordance with the rules of the Health Services and Development Agency, and upon consideration of the following factors as compared with the proposed project of the original applicant, may be regarded as applications filing for simultaneous review.
 - (A) Similarity of primary service area;
 - (B) Similarity of location;
 - (C) Similarity of facilities; and
 - (D) Similarity of service to be provided.
2. The Executive Director or his/her designee will determine whether applications are to be reviewed simultaneously, pursuant to Agency Rule 0720-3-.03(3).
3. If two (2) or more applications are requesting simultaneous review in accordance with the statute and rules and regulations of the Agency, and one or more of those applications is not deemed complete to enter the review cycle requested, the other application(s) that is/are deemed complete shall enter the review cycle. The application(s) that is/are not deemed complete to enter the review cycle will not be considered as competing with the application(s) deemed complete and entering the review cycle.

FILING THE APPLICATION: *All applications*, including applications requesting simultaneous review, must be filed in ***triplicate*** (original and two (2) copies) with the Agency within five (5) days after publication of the Letter of Intent. ***The date of filing is the actual date of receipt at the Agency office.***

Applications should have all pages numbered.

All attachments should be attached to the back of the application, be identified by the applicable item number of the application, and placed in alpha-numeric order consistent with the application form. For example, an Option to Lease a building should be identified as Attachment A.6., and placed before Financial Statements which should be identified as Attachment C. Economic Feasibility.10. The last page of an application should be the completed affidavit.

Failure by the applicant to file an application within five (5) days after publication of the Letter of Intent shall render the Letter of Intent, and hence the application, void.

FILING FEE: The amount of the initial filing fee shall be an amount equal to \$2.25 per \$1,000 of the estimated project cost involved, but in no case shall the fee be less than \$3,000 or more than \$45,000. Checks should be made payable to the Health Services and Development Agency.

FILING FEES ARE NON-REFUNDABLE and must be received by the Agency before review of the application will begin.

REVIEW OF APPLICATIONS FOR COMPLETENESS: When the application is received at the Agency office, it will be reviewed for completeness. The application must be consistent with the information given in the Letter of Intent in terms of both project scope and project cost. ***Review for completeness will not begin prior to the receipt of the filing fee.***

1. If the application is deemed complete, the Agency will acknowledge receipt and notify the applicant as to when the review cycle will begin. "Deeming complete" means that all questions in the application have been answered and all appropriate documentation has been submitted in such a manner that the Health Services and Development Agency can understand the intent and supporting factors of the application. Deeming complete shall not be construed as validating the sufficiency of the information provided for the purposes of addressing the criteria under the applicable statutes, the Rules of the Health Services and Development Agency, or the standards set forth in the State Health Plan/Guidelines for Growth.
2. If the application is incomplete, requests by Agency staff for supplemental information must be completed by the applicant within sixty (60) days of the written request. Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days which is allowed by the statute. If the requested information is submitted within sixty (60) days of the request, but not by the date specified in the staff's letter, the application is not void, but will enter the ***next*** review cycle. If an application is not deemed complete within sixty (60) days after the written notification is given by the Agency staff that the application is deemed incomplete, the application shall be deemed void. If the applicant decides to re-submit the application, the applicant shall comply with all procedures as set out by this part and a new filing fee shall accompany the refiled application.

Each supplemental question and its corresponding response shall be typed and submitted on a separate sheet of 8 1/2" x 11" paper, be filed in ***triplicate***, and include a signed affidavit. All requested supplemental information must be received by the Agency to allow staff sufficient time for review before the beginning of the review cycle in order to enter that review cycle.

3. Applications for a Certificate of Need, including competing applications, will not be considered unless filed with the Agency within such time as to assure such application is deemed complete.

All supplemental information shall be submitted simultaneously and only at the request of staff, with the only exception being letters of support and/or opposition.

The Agency will promptly forward a copy of each complete application to the Department of Health or the Department of Mental Health and Developmental Disabilities for review. The Department reviewing the application may contact the applicant to request additional information regarding the application. The applicant should respond to any reasonable request for additional information promptly.

AMENDMENTS OR CHANGES IN AN APPLICATION: An application for a Certificate of Need which has been deemed complete **CANNOT** be amended in a substantive way by the applicant during the review cycle. Clerical errors resulting in no substantive change may be corrected.

- * **WITHDRAWAL OF APPLICATIONS:** The applicant may withdraw an application at any time by providing written notification to the Agency.
- * **TIMETABLE FOR CERTIFICATE OF NEED EXPIRATION:** The Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall **expire**; *however*, the Agency may extend a Certificate of Need for a reasonable period upon application and good cause shown, accompanied by a non-refundable filing fee, as prescribed by Rules. An extension cannot be issued to any applicant unless substantial progress has been demonstrated. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.
- * **For further information concerning the Certificate of Need process, please call the offices of the Health Services and Development Agency at 615/741-2364.**
- * **For information concerning the Joint Annual Reports of Hospitals, Nursing Homes, Home Care Organizations, or Ambulatory Surgical Treatment Centers, call the Tennessee Department of Health, Office of Health Statistics and Research at 615/741-1954**
- * **For information concerning Guidelines for Growth call the Health Services and Development Agency at 615/741-2364. For information concerning Picture of the Present call the Department of Health, Office of Health Statistics at 615/741-9395.**

* **For information concerning mental health and developmental disabilities applications call the Tennessee Department of Mental Health and Developmental Disabilities, Office of Policy and Planning at 615/532-6500.**

SECTION A: APPLICANT PROFILE

Please enter all Section A responses on this form. All questions must be answered. If an item does not apply, please indicate "N/A". ***Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment.***

For Section A, Item 1, Facility Name must be applicant facility's name and address must be the site of the proposed project.

For Section A, Item 3, Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence, if applicable, from the Tennessee Secretary of State.

For Section A, Item 4, Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

For Section A, Item 5, For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract.

Please describe the management entity's experience in providing management services for the type of the facility, which is the same or similar to the applicant facility. Please describe the ownership structure of the management entity.

For Section A, Item 6, For applicants or applicant's parent company/owner that currently own the building/land for the project location; attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements must include anticipated purchase price. Lease/Option to Lease Agreements must include the actual/anticipated term of the agreement and actual/anticipated lease expense. The legal interests described herein must be valid on the date of the Agency's consideration of the certificate of need application.

1.	<u>Name of Facility, Agency, or Institution</u> Asbury Place at Maryville Name 2648 Sevierville Road Street or Route Maryville TN City State 37804 Zip Code													
2.	<u>Contact Person Available for Responses to Questions</u> Michael D. Brent Attorney Name Title Bradley Arant Boult Cummings LLP mbrent@babbc.com Company Name Email Address 1600 Division Street, Suite 700 Nashville TN 37203 Street or Route City State Zip Code Attorney 615-252-2361 615-252-6361 Association with Owner Phone Number Fax Number													
3.	<u>Owner of the Facility, Agency or Institution</u> Asbury, Inc. (865) 238-8300 Name Phone Number 910 Wilder Chapel Lane Blount Street or Route County Maryville TN 37804 City State Zip Code													
4.	<u>Type of Ownership of Control (Check One)</u> <table style="width: 100%;"> <tr> <td style="width: 50%;">A. Sole Proprietorship _____</td> <td style="width: 50%;">F. Government (State of TN or Political Subdivision) _____</td> </tr> <tr> <td>B. Partnership _____</td> <td>G. Joint Venture _____</td> </tr> <tr> <td>C. Limited Partnership _____</td> <td>H. Limited Liability Company _____</td> </tr> <tr> <td>D. Corporate (For Profit) _____</td> <td>I. (Other) Specify _____</td> </tr> <tr> <td>E. Corporation (Not-for-Profit) <u>X</u> _____</td> <td></td> </tr> </table>				A. Sole Proprietorship _____	F. Government (State of TN or Political Subdivision) _____	B. Partnership _____	G. Joint Venture _____	C. Limited Partnership _____	H. Limited Liability Company _____	D. Corporate (For Profit) _____	I. (Other) Specify _____	E. Corporation (Not-for-Profit) <u>X</u> _____	
A. Sole Proprietorship _____	F. Government (State of TN or Political Subdivision) _____													
B. Partnership _____	G. Joint Venture _____													
C. Limited Partnership _____	H. Limited Liability Company _____													
D. Corporate (For Profit) _____	I. (Other) Specify _____													
E. Corporation (Not-for-Profit) <u>X</u> _____														

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER OF ALL ATTACHMENTS.

5. Name of Management/Operating Entity (If Applicable)

The Asbury Group, Inc.
Name

20030 Century Boulevard, Suite 300
Street or Route

Montgomery
County

Germantown
City

MD
State

20874
Zip Code

**PUT ALL ATTACHMENT AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS**

6. Legal Interest in the Site of the Institution (Check One)

- A. Ownership X D. Option to Lease _____
B. Option to Purchase _____ E. Other (Specify) _____
C. Lease of _____ Years _____

**PUT ALL ATTACHMENT AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS**

7. Type of Institution (Check as appropriate—more than one response may apply)

- | | |
|---|---|
| A. Hospital (Specify) _____ | I. Nursing Home <u>X</u> |
| B. Ambulatory Surgical Treatment
Center (ASTC), Multi-Specialty _____ | J. Outpatient Diagnostic Center _____ |
| C. ASTC, Single Specialty _____ | K. Recuperation Center _____ |
| D. Home Health Agency _____ | L. Rehabilitation Facility _____ |
| E. Hospice _____ | M. Residential Hospice _____ |
| F. Mental Health Hospital _____ | N. Non-Residential Methadone
Facility _____ |
| G. Mental Health Residential
Treatment Facility _____ | O. Birthing Center _____ |
| H. Mental Retardation Institutional
Habilitation Facility (ICF/MR) _____ | P. Other Outpatient Facility
(Specify) _____ |
| | Q. Other (Specify) _____ |

8. Purpose of Review (Check as appropriate—more than one response may apply)

- | | |
|---|--|
| A. New Institution _____ | G. Change in Bed Complement |
| B. Replacement/Existing Facility _____ | [Please note the type of change |
| C. Modification/Existing Facility <u>X</u> | by underlining the appropriate |
| D. Initiation of Health Care
Service as defined in TCA §
68-11-1607(4)
(Specify) _____ | response: Increase, Decrease,
Designation, Distribution,
Conversion, Relocation] _____ |
| E. Discontinue of OB Services _____ | H. Change of Location _____ |
| F. Acquisition of Equipment _____ | I. Other (Specify) <u>Renovation of existing
facility and construction.</u> |

9. Bed Complement Data

Please indicate current and proposed distribution and certification of facility beds.

	Current Beds Licensed *CON		Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	117	_____	117	0	117
N. Nursing Facility Level 2 (Medicare only)	64	_____	64	0	64
O. Nursing Facility Level 2	_____	_____	_____	_____	_____
P. ICF/MR	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency (Detox)	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
TOTAL	181	0	181	0	181

*CON-Beds approved but not yet in service

10. Medicare Provider Number 445017
Certification Type Skilled Nursing Facility

11. Medicaid Provider Number 445017, 7440217
Certification Type Nursing Facility

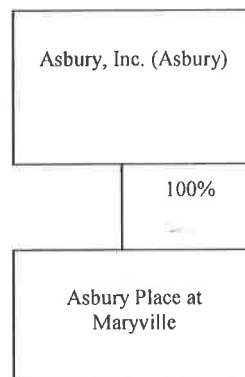
12. If this is a new facility, will certification be sought for Medicare and/or Medicaid? N/A

13. Identify all TennCare Managed Care Organizations/Behavioral Health Organization (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? Yes. If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

Response to Section A, Item 3: Please See Attachment A.3.

Response to Section A, Item 4: Asbury, Inc. ("Asbury") is a Tennessee non-profit corporation that is affiliated with the Holston Conference of the United Methodist Church and is committed to adhering to the teachings and ministries of the church. Asbury has been serving the elderly through a network of not-for-profit retirement communities and long-term care communities since 1956. Asbury is the sole owner of Asbury Place at Maryville (the "Applicant"), which is managed by The Asbury Group, Inc. ("TAG"). The ownership structure is as follows:



Asbury owns and operates Asbury at Home, a provider of non-medical in-home assistance for older adults in northeastern Tennessee, Asbury Place at Maryville and Asbury Place at Kingsport, nursing home facilities in Maryville and Kingsport, Tennessee, respectively, as well as communities providing assisted living and independent living accommodations for seniors. There are no individuals who have any ownership interest in Asbury. Asbury Place at Maryville and Asbury Place at Kingsport are the sole health care institutions located in Tennessee in which Asbury, Inc. has an ownership interest.

Response to Section A, Item 5:

TAG manages Asbury Place at Maryville and is owned by Asbury Communities. TAG provides management, development, and consulting services to those who own and/or operate retirement communities. TAG has been assisting retirement communities and other senior living providers across the country with everything from information technology issues to compliance issues for more than ten (10) years. TAG employs provider-based senior living consultants who have all held management positions in senior living communities and use the tactics learned managing various senior living communities in their consulting efforts.

Please also see Attachment A.5.

Response to Section A, Item 6: Please see Attachment A.6. Please note that the deed for the property is held by Asbury Centers, Inc., which is the former legal name of the Applicant, Asbury, Inc. A copy of the recorded amendment to the Applicant's charter is included with Attachment A.6.

Response to Section A, Item 13: The Applicant currently has contracts with the following Managed Care Organizations:

- HealthSprings
- Blue Cross/Blue Shield of Tennessee
- Crestpoint
- TennCare Select
- United Health Care
- Humana

In addition, the Applicant is currently certified to provide Medicare and Medicaid services.

NOTE: **Section B** is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. **Section C** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the contribution to the Orderly Development of Health Care. **Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.**

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

RESPONSE:

Introduction and Background

Asbury operates senior housing communities in Maryville and Kingsport, Tennessee and has been fulfilling its mission of care giving since approximately 1956. Asbury health care facilities offer services ranging from nursing care and rehabilitative services to physical therapy. Many of Asbury's communities are Continuing Care Retirement Communities, or CCRCs, which are based on a continuum of care concept that allows residents to choose the level of care they currently require, whether it is a room in an assisted living facility, an independent apartment, or a skilled nursing facility, but with the ability to transition to a different service level within the community should the need arise. Community members benefit from the ability to "age in place" in a location that they come to consider home, with and within their existing communities, friends and churches. The goal of the renovation is to ensure the ability to continue to provide a home environment for nursing home and assisted living residents that is modern and embodies characteristics synonymous with the true definition of a home: privacy, choice, and a purposeful and meaningful lifestyle.

The Applicant is a CCRC and its campus setting provides care ranging from independent living to assisted care to skilled nursing. As part of the Applicant's CCRC, the skilled nursing home (also referred to herein as the "Healthcare Building") houses 64 dually certified beds and 117 Medicaid certified beds for a total licensed capacity of 181 beds. The Applicant, however, currently staffs 165

of its 181 licensed beds, as it modified all four-bed rooms into semi-private and several semi-private rooms into private rooms in response to increasing demand for those options.

The Applicant seeks to begin to transition its nursing care services from its aging, large institutional nursing home to nursing care provided in a smaller household of twenty two beds and a renovated institutional nursing home with a new and more home-based culture of resident-centered care. In order to minimize disruptions of patients on the campus, and particularly in the existing nursing home building, the Applicant is seeking a three (3) year period for completion of the project.

Construction of the new 22 bed "Long Term Care Household" building (the "LTCH") and renovation of the existing skilled nursing facility building (the "SNF"), which will be renovated into a 148 bed facility, will be started simultaneously. While construction of the LTCH is under way, renovation of the common areas of the SNF will be done. It is anticipated that the common area renovation in the SNF and the construction of the LTCH will take about the same amount of time, and once construction and licensure of the LTCH is complete, up to 22 patients will transition to the LTCH. At that time, renovation of the patient rooms in the SNF will begin, to be done in a systematic fashion as patients are temporarily moved within the SNF, creating minimal disruptions. While such a systematic renovation will take longer than renovating multiple rooms in the building at a time, the systematic approach will have a minimal impact on building occupancy, and therefore is projected to not materially impact the revenues of the Applicant during the project.

At the end of the renovation, the SNF will contain space for 159 beds in a combination of private and semi-private beds (which when added to the 22 beds in the LTCH will result in the same total (181 beds) as the Application is currently licensed to serve. After the renovation, some of the semi-private rooms will be set up as private rooms, but may easily be converted to semi-private rooms, depending on patient demands.

Project Cost, Funding and Feasibility

The total estimated project cost is \$8,192,393, with construction costs totaling \$5,539,365, or 67.62% of total cost. The total construction cost is \$110.72 per square foot. As discussed later in the application, the new construction cost compares favorably with statewide nursing home construction projects from 2012-2014. The Applicant will finance the project from tax-exempt bonds as shown by documentation from the issuing authority included with this application.

This project is economically feasible and will produce positive operating revenue by Year 1 of the project.

Staffing

The Applicant does not anticipate that it will hire additional staff to accommodate the proposed project.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

RESPONSE: The project involves new construction to add a building housing 22 skilled nursing beds to the existing CCRC campus and the renovation of the SNF to bring it up to date. The finished new construction will consist of 73,995 square feet. The cost per square foot for total space is approximately \$110.72 based on total project cost, or \$74.36 based on new construction costs only.

The skilled nursing building is part of the overall senior housing and active adult community, and serves a key role in allowing the Applicant to offer a complete array of supportive and long-term care services to individuals in the community. This comprehensive continuum of services will allow individuals to "age in place" within the community that they have made the choice to call home. The comprehensive development concept avoids dislocation of that individual from their friends, spouse, or church community when their health needs require additional services, or care in a residential health care facility. The LTCH model that Applicant proposes will enhance the lives of those served by allowing them to live in an environment that not only looks like a home but that lives like a home because it enables a

resident to have the privacy, dignity, choices, and meaningful life style that their previous homes provided their entire lives.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

RESPONSE: Not applicable. No beds will be relocated, redistributed, designated, or converted. The Applicant will have 22 of its 181 beds placed in the newly constructed LTCH and reduce the SNF to 159, but all beds will remain on the Applicant's CCRC campus. The new LTCH will permit residents to have an environment that more closely resembles a home as opposed to a facility. The intent of the renovation of the SNF is to accomplish the same for the remaining beds. Removing twenty-two beds simultaneously with the renovation will give the Applicant space within the SNF to make the changes necessary.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

RESPONSE: The Applicant will continue to provide skilled nursing home care in its renovated facility, assuming the CON is granted, primarily to serve the residents of Blount County, Tennessee. As a CCRC, the Applicant's ability to ensure access to skilled nursing home care to those residents requiring it is vital. The building the Applicant seeks to renovate was constructed in 1968 and, with the exception of some periodic cosmetic updates, has never been renovated. The Applicant's application for renovation is supported by the age of the building and the need to ensure that the Facility's residents are comfortable and at ease in their environment, which, in turn, maintains their overall quality of life. Moreover, renovations of existing nursing home facilities improve the likelihood that a county's ratio of utilized beds to available beds will remain high and reflect need. Thus contributing to the continued orderly development of Tennessee's health care system. When more modern accommodations are available, potential residents from an outdated facility's service area will likely distrust the adequacy of care provided by older facilities and will seek an alternative nursing home facility in the same service area or one in a different service area. Over time, this skews the accuracy of bed need projection analyses for both residents' original service area and their ultimate service area. In practice, this would result in facilities receiving additional residents it could not have anticipated using population and bed need projections. Ensuring that the Applicant has up-to-date nursing home facilities will ensure it remains attractive to residents of its service area and dissuade potential residents from choosing a facility in a different service area. This, in turn, makes

bed need more predictable for all parties involved, enabling nursing home providers to confidently rely on bed need projection analyses to ensure their growth responds to predicted, consistent need increases as opposed to falling victim to unpredictable demand fluctuations due to potential residents' lack of confidence in other facilities.

- D. Describe the need to change location or replace an existing facility.

RESPONSE: Not applicable.

- E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:
 1. Total cost; (As defined by Agency Rule).
 2. Expected useful life;
 3. List of clinical applications to be provided; and
 4. Documentation of FDA approval.
 - b. Provide current and proposed schedules of operations.
2. For mobile major medical equipment:
 - a. List all sites that will be served;
 - b. Provide current and/or proposed schedule of operations;
 - c. Provide the lease or contract cost.
 - d. Provide the fair market value of the equipment; and
 - e. List the owner for the equipment.
3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

RESPONSE: Not applicable. The project does not involve the acquisition of any major medical equipment as defined by HSDA rules.

III. A. Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which **must include**:

1. Size of site (*in acres*);
2. Location of structure on the site;
3. Location of the proposed construction; and
4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

RESPONSE: Please see Attachment B.III.(A). Even though the drawings only show a total of 170 beds, there are numerous rooms that can be converted to semi-private for a total of 181 beds.

B. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

RESPONSE: The existing facility is approximately a two hour and forty-five minute drive from Nashville, Tennessee and approximately a one hour and fifty minute drive from Chattanooga, Tennessee. The facility is conveniently located with access to major roads. The site is located approximately ten (10) miles from Interstate 140 and is easily accessible by traveling south on Tennessee Route 33, southeast on Brown School Road, and southeast on Sevierville Road.

The facility's location is very accessible to its service population. It is approximately 2.4 miles from Blount Memorial Hospital, which is licensed for 304 acute care beds and approximately 11.9 miles from Peninsula Hospital, which is licensed for 155 psychiatric beds. The facility's location perfectly situates it to conveniently accommodate Maryville residents hospitals who received acute care services at tertiary hospitals in Knoxville or other nearby cities, including Parkwest Medical Center and Tennova North, but wish to be close to home for rehabilitation. The ability to have nursing services closer to home has many benefits, not the least of which is the psychological benefit of being near family and friends, often resulting in improved therapeutic results.

While there are two skilled nursing facilities in Blount County located nearby, the Applicant is one of two Continuing Care Retirement Communities in Blount County.

There are two main sources of residents of Asbury Place at Maryville. The first group consists of individuals who age in place in Maryville and whose health needs progress to the point of needing skilled nursing facility care.

The second group consists of older parents or relatives of Maryville residents who want to be closer to their ailing and/or aging parents to provide more assistance to them, and bring them to Asbury Place at Maryville for that purpose.

Ninety-five percent (95%) of the workers in Blount County drive to work; therefore, employees as well as patients and their families would have no difficulty reaching the facility.

(Source: http://www.city-data.com/county/Blount_County-TN.html).

- IV.** Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

RESPONSE: Please see Attachment B.IV.

- V.** For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

RESPONSE: Not applicable.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.
 - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

Construction, Renovation, Expansion, and Replacement of Health Care Institutions

1. Guidelines for Growth Criteria - Need 1: *Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.*

RESPONSE: Not applicable. The project does not involve the addition of beds, services, or medical equipment.

2. Guidelines for Growth Criteria – Need 2: For relocation or replacement of an existing licensed health care institution:

- a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

RESPONSE: Not applicable. The project does not involve the relocation or replacement of an existing licensed health care institution. The Applicant's existing skilled nursing facility will remain in place, though 22 of the 181 beds will be housed in the LTCH.

3. Guidelines for Growth – Need 3: For renovations or expansions of an existing licensed health care institution:

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

RESPONSE: The facility's average daily census for June of 2015 was 148.7 patients. For the fiscal year 2014-2015, the facility's average daily census was 152.2 patients, which, for a 181-bed facility with 165 currently staffed beds, reflects a consistent, high demand.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

RESPONSE: Currently, residents are housed in a building that was constructed in 1968 and has had only minor cosmetic upgrades since its construction. The purpose of the renovation is to enable the Applicant to provide private rooms for all residents and create an environment that more closely resembles that of a home, which should improve residents' quality of life.

The proposed project will further the 5 Principles for Achieving Better Health as set forth in the State Health Plan.

1. The purpose of the State Health Plan is to improve the health of Tennesseans.

RESPONSE: While this principle focuses mainly on the goals and strategies that support health policies and programs at the individual, community and state levels that will help improve the health status of Tennesseans, this project is consistent in that it supports a continuum of care model where patients will be able to receive intensive skilled nursing care and rehabilitative services within the community in which they live. The Applicant's campus design provides the most effective care in a person-centered environment, which is also the least-restrictive and least-costly option available, where the individual can live the healthiest life possible. By ensuring that CCRCs such as the Applicant continue and flourish, Tennesseans can be assured that they will receive the level of care they need when they need it and avoid unnecessary emergency room trips or hospital stays.

The project will further the Applicant's ability to provide state of the art long-term care services. In addition, the Applicant reports extensive quality measures as part of its involvement in the Medicaid and Medicare programs. The Applicant has an ongoing quality improvement program to monitor and improve patient outcomes. These outcomes are regularly reported as part of public reporting requirements for all nursing homes.

2. Every citizen should have reasonable access to health care.

RESPONSE: The Applicant's healthcare model provides a continuum of care for residents of the CCRC that includes Long Term Nursing Home care as well. The majority of all patients placed in nursing homes from the acute care setting are Medicare beneficiaries. Since Medicare is a federal insurance program covering individuals age 65 and older, as well as disabled individuals below this threshold age, access to long term care Medicare beds is a function of bed availability as well as the facility in which the beds are located. Renovated facilities attract higher quality employees and give potential residents and their caregivers more confidence in choosing a particular location. A renovated facility could help dissuade a daughter caregiver from trying to care for an ailing parent at home, potentially leading to illnesses that would be recognized and treated more quickly

in a healthcare setting, and result in access to health care for her parent being more than in name only.

3. The State's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the State's health care system.

RESPONSE: The Applicant's project speaks to the very heart of this principle at several levels. By assuring that the appropriate level of care and health care beds are available, when needed, the state's health care system will be able to keep costs to their lowest possible levels by making sure patients are able to utilize services at the lowest level of care possible (skilled nursing versus an acute care setting) and ensuring those that need round the clock care receive it from licensed health care providers.

The Applicant provides transparent cost information to all prospective and current residents and promotes a competitive environment for the purchase of long term care services. As a CCRC, it provides the community with choices of different models to meet its members' long term care needs.

4. Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.

RESPONSE: The Applicant's facility is a long term care provider that is surveyed both at the State and Federal levels. Through various sources, including the Medicare.gov website and the Nursing Home Compare data sets, consumers can now compare and research long term care providers, home care providers and acute care providers. The Applicant is dedicated to providing quality care to residents of its service area.

5. The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.

RESPONSE: The renovated facility and new construction will help ensure that there is less turnover in health care employment opportunities in the community. Moreover, the Facility will pay wages and offer benefits that are in-line with the prevailing rates of other employment opportunities in the community.

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

RESPONSE: Not applicable.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

RESPONSE: The long-range plan for the Applicant is to provide a continuum of services to the elderly of Blount County that enhances their lives by providing opportunities for them to experience an environment that affords privacy, community, choice, purpose and meaning throughout their lifespan.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

RESPONSE: Please see Attachment C. Need 3.

4. A. Describe the demographics of the population to be served by this proposal.

RESPONSE: The population in the proposed service area, Blount County, is growing exponentially and is projected to continue to grow over the next five to seven years:

County	2010 Population	2015 Population	2020 Population
Blount	123,010	129,973	138,993

Source: Office of Health Statistics, Bureau of Health Informatics, Tennessee Department of Health

Moreover, the population of Blount County and the surrounding counties is experiencing a large increase in the age 65 and older population, which indicates further need for the services that the Applicant provides. The following chart illustrates the demographics of the proposed service area and surrounding counties with respect to the aging population therein:

Demographics of the Service Area and Surrounding Counties

County	65+					Total Population		
	2010	2015	%65+ 2015	2020	%65+ 2020	2010	2015	2020
Blount	19,770	23,812	18.32%	27,263	19.61%	123,010	129,973	138,993
Knox	56,491	69,186	15.07%	85,348	17.54%	432,226	459,124	486,492
Loudon	10,434	13,107	25.45%	14,859	27.65%	45,973	51,495	53,741
Monroe	7,318	9,325	20.03%	11,025	22.66%	45,875	46,563	48,648
Sevier	13,917	17,434	18.14%	20,550	20.16%	85,254	96,116	101,929
Total	107,930	132,864	16.96%	159,045	19.34%	720,063	783,271	822,420

Source: Office of Health Statistics, Bureau of Health Informatics, Tennessee Department of Health

The county has a very low minority population, with only approximately 8.6% of the population being of African American, Asian, Native American, or Hispanic/Latino ethnicity.

From 2009 to 2013, an estimated 13.7% of the population of Blount County lived below the poverty level, and the median household income for the same period of time was \$45,991, with an average of 2.5 persons per household.

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

RESPONSE: The Blount County service area continues to have a significant need for quality long-term care and other health care services. Although the Applicant's existing facility helps to meet the needs of Blount County, with the continuous population growth and the increasing need for nursing home services, renovating the Applicant's facilities will ensure that its facilities are consistent with other CCRC facilities services and other facilities.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

RESPONSE: There are currently 5 nursing homes in Blount County. Below is a chart that includes the occupancy rates for each of the 5 nursing homes located in Blount County (including the Applicant). Please note that the census numbers for the 2015 fiscal year reflect the Applicant's shift from 181 staffed beds to 165 staffed beds in order to accommodate additional private and semi-private rooms.

Average Daily Census for Nearby Nursing Homes

Facility	2012	2013	2014	2015
Blount County				
Asbury Place at Maryville	89.40%	94.56%	91.39%	92.12%*
Blount Memorial Transitional Care Center	90.0%	92.76%	**	**
Kindred Nursing and Rehabilitation – Fairpark	93.87%	76.0%	**	**
Kindred Transitional Care and Rehabilitation – Maryville	90.22%	84.72%	**	**
Shannondale of Maryville Health Care Center	92.27%	91.14%	**	**

Sources: 2012 and 2013 Tennessee Joint Annual Reports; Facility's Internal Records

**Through March 2015. Staffed beds reduced from 180 to 165 for this fiscal year.*

***Information not currently available.*

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE: The following chart reflects the Applicant's average daily census by payor for the past three fiscal years:

**Applicant's Average Daily Census by Payor
(2012-Present)**

Payor	2012	2013	2014	2015*
Private Pay	37.31	37.57	46.45	46.41
Medicare	14.47	15.68	18.61	24.08
Managed Care	8.85	11.98	8.28	12.44
Medicaid	100.23	104.98	91.19	69.25
Total Patients:	160.86	170.22	164.54	152.18

Source: Applicant's internal records

**Through March 31, 2015*

The following chart contains the Applicant's projected annual utilization for the three fiscal years following completion of the project (2018 through 2020):

**Applicant's Projected Average Daily Census by
Payor (2018-2020)**

Payor	2018	2019	2020
Private Pay	65.4	66.5	66.5
Medicare	29.9	30.4	30.4
Managed Care	15.9	16.2	16.2
Medicaid	46.8	47.6	47.6
Total Patients:	158.0	160.7	160.7

The projected utilization statistics above are based upon the Applicant's experience with and statistical data for the existing facility.

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

RESPONSE: Please see Project Costs Chart and Attachment Section C: Economic Feasibility – 1 for documentation from an architect supporting the estimated construction costs.

PROJECT COSTS CHART

A. Construction and equipment acquired by purchase		
1.	Architectural and Engineering Fees	\$664,059
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$85,000
3.	Acquisition of Site	
4.	Preparation of Site	\$404,333
5.	Construction Costs	\$5,539,365
6.	Contingency Fund	\$660,120
7.	Fixed Equipment (Not included in Construction Contract)	\$347,833
8.	Moveable Equipment (List all equipment over \$56,000)	
9.	Other (Specify) _____	\$209,432
B. Acquisition by gift, donation, or lease: Not Applicable.		
1.	Facility (inclusive of building and land)	
2.	Building only	
3.	Land only	
4.	Equipment (Specify) _____	
5.	Other (Specify) _____	
C. Financing Costs and Fees: Not Applicable.		
1.	Interim Financing	
2.	Underwriting Costs	\$263,859
3.	Reserve of One Year's Debt Service	\$
4.	Other (specify) _____	\$
D.	Estimated Project Cost (A+B+C+)	\$8,174,001
E.	CON Filing Fee	\$18,392
F.	Total Estimated Project Cost (D+E)	\$8,192,393
TOTAL		\$8,192,393

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (**Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.**)

- ☒ A Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting;
- ☐ D Grants--Notification of intent form for grant application or notice of grant award; or
- ☐ E Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☐ F Other—Identify and document funding from all other sources.

RESPONSE: The source of funding for the proposed project will be provided by Zeigler, a well-known provider of financing for senior living providers. Please see Attachment Section C: Economic Feasibility – 2 for documentation from Zeigler.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

RESPONSE: The total estimated project cost is \$8,192,393. The construction cost is \$5,539,365 total, or \$74.86 per square foot. As reflected in the table below, the total construction cost is below the 1st quartile of \$110.15 per square foot for statewide nursing home construction projects from 2012 to 2014.

**Statewide Nursing Home Construction Cost Per Square Foot
2012-2014**

	Renovated Construction	New Construction	Total Construction
--	---------------------------	---------------------	-----------------------

1st Quartile	\$48.13/sq. ft.	\$152.80/sq. ft.	\$110.15/sq. ft.
Median	\$70.26/sq. ft.	\$170.48/sq. ft.	\$152.80/sq. ft.
3rd Quartile	\$101.00/sq. ft.	\$185.00/sq. ft.	\$174.53/sq. ft.

Source: HSDA Applicant's Toolbox

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last *three* (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

RESPONSE: Please see *Attachment C. Economic Feasibility – 4*. Historical and Projected Data Charts. Note that there is no “charity care” shown, but Asbury provides charity care in other ways than can be reflected on these charts. For example, Asbury provides benevolent care to assisted living residents who “outlive their resources,” and effectively provides charity care to nursing home residents who are participants in Medicaid programs, due to such reimbursements not fully covering the expenses incurred.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

RESPONSE: The project's average gross charge, average deduction from operating revenue, and average net charge are as follows:

	Year 1	Year 2
Average Gross Charge	\$328.82	\$337.13
Average Deduction	\$31.38	\$32.75
Average Net Charge	\$297.44	\$304.38

6. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

RESPONSE: Below is a chart that reflects the current and proposed charge schedules for the project.

Applicant's Current and Proposed Charge Schedules

Payor	Current (4/1/15 – 6/30/15)	Budget (4/1/2015- 3/31/2016)	Year 1 (Ending 3/31/2018)	Year 2 (Ending 3/31/2019)
Private Pay –SNF	\$212.87	\$225.63	\$247.94	\$254.76
Private Pay –LTCH	N/A	N/A	\$299.00	\$307.30
Medicare	\$399.84	\$422.25	\$439.31	\$448.10
Managed Care	\$380.48	\$395.46	\$435.44	\$447.41
Medicaid	\$172.28	\$173.38	\$228.44	\$233.01

Other than the increases noted above, the Applicant does not anticipate any changes to current charges as a result of the project.

- a. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

RESPONSE: Below is a chart of the charges of similar facilities in Blount County:

Applicant's Proposed Charges as Compared to Existing Facilities in Blount County

Facility	Medicare	Medicaid	Private Room	Semi-Private Room
Blount County Facilities				
Applicant	\$399-\$422	\$172-173	\$216-\$250	\$205-\$220
Blount Memorial Transitional Care Center	\$235	N/A	\$240	\$210
Kindred Nursing and Rehabilitation - Fairpark	\$365	\$136-161	\$196	\$189
Kindred Transitional Care and Rehabilitation – Maryville	\$377	\$136-161	\$196	\$189
Shannondale of Maryville Health Care Center	\$337	N/A	\$214	N/A

Sources: 2013 Joint Annual Reports; Applicant's records and correspondence with local facilities

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

RESPONSE: The Applicant is projecting an average daily census of 158 patients or 57,670 patient days in Year 1, for an average annual occupancy rate of 93%. The Applicant projects an average daily census of 160.7 patients or 58,656 patient days in Year 2, for an average annual occupancy rate of 94.5%. The projected utilization is sufficient to render the project financially feasible as discussed below.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

RESPONSE: This project is economically feasible, and will produce positive operating revenue by the end of Year One.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

RESPONSE: Although the Applicant is a nonprofit corporation, the CCRC model is not intended to serve the medically indigent. The Applicant anticipates that Year One revenues will consist of approximately 46% Medicare and Medicaid, 44% private pay, and 10% managed care.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alphanumeric order and labeled as Attachment C, Economic Feasibility-10.

RESPONSE: Please see Attachment C: Economic Feasibility – 10.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - i. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.
 - ii. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

RESPONSE: The Applicant has carefully considered its request to renovate its skilled nursing facility and construct a LTCH of 22 beds pursuant to its Certificate of Need application, and an alternative does not exist. If the applicant foregoes the construction and renovation, there will continue to be inconsistencies and unpredictable fluctuations in bed need projections for Blount and surrounding counties, as previously discussed. Further, given the Applicant's status of one of only two CCRCs in Blount County, the community, providers, and consumers will suffer undue hardship. The CCRC model is unique and fills an important niche in the senior care consortium. It affords seniors the opportunity to reside in one community for the remainder of their lives as their age and medical needs advance, and a skilled nursing facility up to date with current amenities and features of skilled nursing facilities is a crucial component of said continuum of care.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

RESPONSE: The Applicant has transfer agreements in place with University of Tennessee Medical Center, Fort Sanders Regional Medical Center, Parkwest Medical Center, LeConte Medical Center, Select Specialty Hospital, Patricia Neal Rehabilitation Center, Fort Loudon Medical Center, Oak Ridge Methodist Medical Center, Tennova North, Tennova West, and Vanderbilt Medical Center.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

RESPONSE: The project will have a positive effect on the health care system and will help ensure that all facilities in the county are providing the best possible services at competitive price points. In addition to keeping Blount residents within their service area, the renovation of a facility such as the Applicant's ensures that other facilities in the service area have to continue to innovate and refine their perspectives on the adequacy of their facilities as well as the manner in which they provide their services. This will help ensure that the quality of care provided and of the facilities in which it is provided remain high.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

RESPONSE: Below is a chart containing the current and anticipated staffing for the Applicant:

Current and Anticipated Staffing

STAFFING BY FTEs

DEPARTMENT	DESCRIPTION	TOTAL 181-BEDS	CURRENT	ANTICIPATED
		HOURS/WEEK	PAY/HOUR (1)	PAY/HOUR (2)
Administration	Executive Director/HC Administrator	1	\$ 46.82	\$ 47.99
	Assistant Administrator	1	\$ 30.76	\$ 31.53
	Business Services Manager	1	\$ 18.00	\$ 18.45
	Office Clerk	0.3	\$ 14.97	\$ 15.34
	Chaplain (Volunteers)	1	\$ 21.58	\$ 22.12

Marketing	Director of Admissions	1	\$ 25.42	\$ 26.06
	Clinical liaison	1	\$ 33.66	\$ 34.50
Nursing	RN Clinical Mentor	6	\$ 26.88	\$ 27.55
	Director of Nursing	1	\$ 40.87	\$ 41.89
	MDS Coordinator	2.75	\$ 22.50	\$ 23.06
	Charge Nurse LPN	15	\$ 19.64	\$ 20.13
	Charge Nurse RN	3.5	\$ 23.03	\$ 23.61
	Certified Nursing Assistant	30.25	\$ 12.85	\$ 13.17
	Driver	0.5	\$ 9.59	\$ 9.83
Health Information	Medical Records	1	\$ 11.77	\$ 12.06
Activities	Lifestyles	2	\$ 11.50	\$ 11.79
Social Services	Director of Social Services	1	\$ 21.20	\$ 21.73
	Social Worker	1	\$ 15.25	\$ 15.63
	Transition Coordinator	1	\$ 15.25	\$ 15.63
Laundry	Laundry Asst/Trans Duty	3	\$ 9.15	\$ 9.38
Housekeeping	Housekeeping Assistant	12	\$ 9.42	\$ 9.66
Dietary	Registered Dietitian	1	\$ 26.44	\$ 27.10
	Dietary Supervisor	3	\$ 11.34	\$ 11.62
	Production Manager	1	\$ 17.31	\$ 17.74
	Dietary Assistant	7	\$ 9.27	\$ 9.50
	Stock Supply Clerk	1	\$ 9.67	\$ 9.91
	Cook/Assistant Cook	4	\$ 10.06	\$ 10.31
Operations/Maintenance	Director of Environmental	1	\$ 27.11	\$ 27.79
	Maintenance Tech	2	\$ 15.27	\$ 15.65
Resource Development	Resource Devel. Staff	1	\$ 27.15	\$ 27.83
	Total	107.3		

(1) Current Pay/Hour From July Labor Analysis - Ending 7/31/15

(2) Anticipated Pay/Hour Determined by Adding a 3% Pay Increase

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

RESPONSE: The Applicant pays wages and offers benefits that are in-line with the prevailing rates of other employment opportunities in the community. The Facility also benefits from local schools such as Alcoa High School and William Blount High School. The Applicant currently has the staff required by the proposal, including adequate professional staff as per the Department of Health, and does not anticipate difficulty filling positions needed for the project.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

RESPONSE: The Applicant has reviewed and understands the aforementioned requirements.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

RESPONSE: The Applicant has agreements in place with Alcoa High School and William Blount High School for the training of certified nursing assistant students.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

RESPONSE: The Applicant is familiar with all licensure requirements of the Tennessee regulatory agencies and relevant Medicare requirements.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

RESPONSE: Asbury Place at Maryville is licensed by the Tennessee Department of Health as a nursing home, and it is certified for Medicare and Medicaid participation. Its license and provider numbers are as follows:

State License Number: 10

Medicare Certification: 44-5017

Medicaid Certification: 445017, 7440217

- (c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

RESPONSE: Asbury Place at Maryville is currently in good standing with all licensing, certifying and accrediting agencies. Please see Attachment C: Contribution to the Orderly Development of Health Care – 7(c).

- (d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

RESPONSE: The Applicant underwent a recertification survey and complaint investigation on June 15 to 17, 2015, and received citations for which it submitted a plan of correction on July 9, 2015. The plan of correction was approved, but the approval letter from the Department of Health has not yet been received. A copy of the survey results and plan of correction are included as Attachment C: Contribution to the Orderly Development of Health Care – 7(d).

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

RESPONSE: Not applicable.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

RESPONSE: Not applicable.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

RESPONSE: If the proposal is approved, the Applicant will be happy to provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

AUG 14 11:15 PM '15

AFFIDAVIT OF PUBLICATION IN THE DAILY TIMES

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Asbury Place at Maryville, an existing licensed nursing home owned by Asbury, Inc., a non-profit corporation, intends to file an application for a Certificate of Need for the construction of a building on its existing campus to house twenty-two (22) of its skilled nursing beds and the renovation of its existing one hundred eighty-one (181) bed facility into a one hundred fifty-nine (159) bed facility. The existing facility currently is and will continue to be managed by an affiliated entity known as The Asbury Group. The Asbury Group will also manage the new building. The location of Asbury Place at Maryville is 2648 Savierville Road, Maryville, Tennessee 37804 (Blount County), and the estimated project cost is \$8,192,393.

The anticipated date of filing the application is on or before August 14, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, TN 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babco.com.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

Pursuant to T.C.A. § 68-11-1607(c)(1), (A) any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at, or prior to, the consideration of the application by the Agency.
August 10, 2015

State of Tennessee, County of Blount,
ss: Carl Esposito being duly sworn, deposes
and says that he is the Publisher of the Daily
Times, a newspaper published in Maryville,
Blount County, Tennessee and that the
notice hereto attached was published 1
consecutive days/weeks in said newspaper,
first publication date being
August 10, 2015, the last
publication date being _____,
2015.

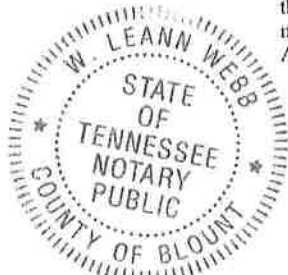
Signed: _____

Subscribed and sworn to before me this

12 day of Aug, 2015.

Notary Public: W. Leann Webb
My commission expires: 4-22-19

The referenced publication of notice has also been posted (1) On the newspaper's website, where it shall be published contemporaneously with the notice's first print publication and will remain on the website for at least as long as the notice appears in the newspaper; and (2) On a statewide website established and maintained as an initiative and service of the Tennessee Press Association as a repository for such notices.



The Daily Times
307 E. Harper Avenue
Maryville, TN 37804
(865) 981-1100

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the “good cause” for such an extension.

Form HF0004
Revised 02/01/06
Previous Forms are obsolete

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): November 18, 2015. Assuming the CON approval becomes the final agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

Please note that the applicant is requesting 36 months for the completion of this renovation and its sister project at Asbury Place at Kingsport, which will use the same contractors. This extended period is desired to allow subcontractors to move from one facility to the other as construction proceeds, and to allow a slower, but more systematic renovation of the SNF, to minimize the disruption of patients at the facility.

<u>Phase</u>	<u>Anticipated Date</u>	
	<u>DAYS</u> <u>REQUIRED</u>	<u>(MONTH/YEAR)</u>
1. Architectural and engineering contract signed	0	November 2015
2. Construction documents approved by the Tennessee Department of Health	120 days	March 2016
3. Construction contract signed	120 days	March 2016
4. Building permit secured	120 days	March 2016
5. Site preparation completed	210 days	June 2016
6. Construction commenced	240 days	July 2016
7. Construction 40% complete (LTAH 100%)	480 days	March 2017
8. Construction 80% complete	810 days	February 2018
9. All Construction 100% complete (all areas approved for occupancy)	900 days	June 2018
10. *Issuance of final license	960 days	August 2018
11. *Initiation of final service	960 days	August 2018
12. Final Architectural Certification of Payment	960 days	August 2018
13. Final Project Report Form (HF0055)	990 days	September 2018

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.
Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

EXHIBITS

Please see attached.

Attachment A.3
Corporate Charter and Certificate of Existence



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

BRADLEY ARANT BOULT CUMMINGS LLP
1600 DIVISION STREET SUITE 700
NASHVILLE, TN 37203

July 30, 2015

Request Type: Certificate of Existence/Authorization
Request #: 0170815

Issuance Date: 07/30/2015
Copies Requested: 1

Document Receipt

Receipt #: 002171639

Filing Fee: \$22.25

Payment-Credit Card - State Payment Center - CC #: 163939647

\$22.25

Regarding: ASBURY, INC.

Filing Type: Nonprofit Corporation - Domestic

Formation/Qualification Date: 03/16/1956

Status: Active

Duration Term: Perpetual

Business County: BLOUNT COUNTY

Control #: 75532

Date Formed: 03/16/1956

Formation Locale: TENNESSEE

Inactive Date:

CERTIFICATE OF EXISTENCE

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

ASBURY, INC.

* is a Corporation duly incorporated under the law of this State with a date of incorporation and duration as given above;

* has paid all fees, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;

* has filed the most recent annual report required with this office;

* has appointed a registered agent and registered office in this State;

* has not filed Articles of Dissolution or Articles of Termination. A decree of judicial dissolution has not been filed.

Tre Hargett
Secretary of State

Processed By: Cert Web User

Verification #: 013013921

RESTATED CHARTER
OF
ASBURY CENTERS, INC.

The undersigned nonprofit corporation, acting by and through its Board of Directors, pursuant to the provisions of Section 48-60-106 of the Tennessee Nonprofit Corporation Act, adopts the following Restated Charter for such corporation:

1. The name of the corporation is Asbury Centers, Inc.
2. This corporation is a public benefit corporation.
3. The street address of the corporation's initial registered office and of the corporation's principal office is 903 Amerine Road, Maryville, Tennessee 37804-3561. This office is located in Blount County, Tennessee. The name of the registered agent at that office is Bernie Bowman.
4. This corporation is not for profit.
5. This corporation will not have members.
6. Upon dissolution, assets available for distribution shall be distributed to the Holston Annual Conference of the United Methodist Church.
7. The purpose for which the corporation is organized shall be to build, acquire, own, maintain, operate, sell, mortgage or convey and otherwise provide for the operation of appropriate facilities for the housing, feeding, and, where feasible, the health care of persons and to do all things incidental to the conduct of such operations and to engage in any and all lawful activity provided; however, that the corporation is recognized as exempt from federal income taxation pursuant to the provisions of Section 501(c)(3) and

Section 170(c)(2) of the Internal Revenue Code and the corporation is hereby prohibited from carrying on or conducting or exercising those rights, privileges, and powers which are inconsistent with the maintenance of federal income tax exempt status pursuant to said Section 501(c)(3) and 170(c)(2) of the Internal Revenue Code.

8. The duration of the corporation is perpetual.

The Restated Charter is adopted pursuant to the authority of T.C.A. Section 48-60-106 by the corporation's Board of Directors at a meeting duly and regularly held pursuant to notice on the 21st day of August, 1998.

ASBURY CENTERS, INC.

By:



Chairman, Board of Directors

CERTIFICATE

21 SEP 26 PM 1:49

SECRETARY OF STATE

Comes Asbury Centers, Inc., a Tennessee nonprofit corporation, pursuant to the provisions of T.C.A. Section 48-60-107(h), and does hereby certify to the Secretary of State of the State of Tennessee as follows:

1. There is hereby delivered a copy of the Restated Charter of Asbury Centers, Inc. which document sets forth the text of said Restated Charter.

The restatement does not contain an amendment requiring an approval by members or by any person other than the Board of Directors and, accordingly, the Board of Directors has adopted this restatement.

Certified to the Secretary of the State of Tennessee by Asbury Centers, Inc., this 21st day of August, 1998.

ASBURY CENTERS, INC.

By:


President

I, Bernie Bowman, President of Asbury Centers, Inc. hereby certify that the foregoing is a true copy of a resolution duly adopted by the Board of Directors of said Asbury Centers, Inc. at a meeting duly held the 21st day of August, 1998, at which a quorum was present and voting and that the same has not been repealed or amended and remains in full force and effect and does not conflict with the Charter of said Asbury Centers, Inc.

Date August 31, 1918

John P. Bennett
(Secretary)

(If no seal, certify that there is no seal.)

Subscribed And Sworn To Before Me
This 31st day of August, 1998

James W. H. H. H.
Notary Public
(Affix Seal) 1/31/2001

AMENDMENT TO THE CHARTER
OF
ASBURY CENTERS, INC.
CHANGING THE CORPORATE NAME
TO
ASBURY, INC.

The undersigned corporation files this amendment to its charter for the purpose of changing its corporate name pursuant to the provisions of Tennessee Code Annotated, §48-101, et seq., of the Tennessee Nonprofit Corporation Act.

1. The present name of the corporation is Asbury Centers, Inc.
2. This Amendment changes the corporate name to: ASBURY, INC.
3. All other provisions of the Charter of this corporation remain unchanged.
4. This Amendment does not require the approval by members or any other person other than the corporate Board of Directors.
5. This Amendment was duly adopted by the corporation's Board of Directors at a meeting duly held on the 15th day of November, 2001.

ASBURY, INC.

By: 

Cole Piper


Chairman, Board of Directors

RECEIVED
STATE OF TENNESSEE
83 JUL 28 AM 9:17
RILEY DARNELL
SECRETARY OF STATE

STATE OF TENNESSEE
COUNTY OF BLOUNT

Before me, the undersigned of the State and County aforesaid, personally appeared Cole Piper, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the Chairman of the Board of Directors of Asbury, Inc., the within named bargainer, a corporation, and that as such officer, being authorized so to do, he executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as such officer.

WITNESS my hand and official seal, at office, this 16th day of July, 2003.



Notary Public

My Commission Expires: 10-29-06

Attachment A.5
Management Agreement

**AMENDMENT A to the
MANAGEMENT SERVICES AGREEMENT
by and between
ASBURY, INC. and THE ASBURY GROUP, Inc.**

WHEREAS, Asbury, Inc. ("Asbury") and The Asbury Group, Inc. ("TAG") entered into a Management Services Agreement ("Agreement"), dated April 1, 2014, and

WHEREAS, Section 5.1 of the Agreement states that the Annual Fee for services provided by TAG is 6.08% of Asbury's Budgeted Operating Revenue, and

WHEREAS, Section 5.1 of the Agreement includes a provision that requires recalculation of the Annual Fee if Asbury divests a facility that represents twenty percent (20%) or more of Budgeted Operating Revenue, and such recalculated Annual Fee shall be applicable the month following divestiture of such facility, and

WHEREAS, Asbury has entered into a purchase and sale agreement with a third party to divest the Asbury Place Johnson City skilled nursing facility ("APJC") with an anticipated transaction closing date of August 31, 2014, and

WHEREAS, the actual budgeted operating revenue from APJC represents seventeen (17%) of the total budgeted operating revenue of Asbury, which does not trigger the Annual Fee recalculation requirement, and

WHEREAS, the parties recognize that additional management expenses incurred by TAG will continue for several months following the divestiture of APJC, and

WHEREAS, the parties desire to modify the terms of the Agreement to implement the Annual Fee recalculation provision with modifications to address the continuing management expenses following divestiture in accordance with the Management Fee Proposal attached hereto as Exhibit A.

NOW THEREFORE, In consideration of the premises, covenants, and conditions contained in this Agreement, Asbury and TAG agree as follows:

1. The Annual Fee for September, 2014 through December, 2014 shall be one hundred sixty five thousand, one hundred forty five dollars and 86/100 (\$165,145.86).
2. The Annual Fee for January, 2015 through March, 2015 shall be one hundred forty nine thousand, nine hundred eighty six dollars and 63/100 (\$149,986.63).
3. The Annual Fee for April, 2015 shall be calculated in accordance with the terms and conditions of the Agreement.

ASBURY, INC.

By: Sandra Davis
Name: Sandra Davis
Title: Board Chair

THE ASBURY GROUP, INC.

By: Andrew H. Joseph
Name: Andrew H. Joseph
Title: Secretary

EXHIBIT A
Management Fee Proposal

See Following Page

The Asbury Group
Management Fee Proposal
Asbury, Inc. (APlace)

1 We underbilled in the first quarter of fiscal 2015

	<u>Billed</u>	<u>Should have been</u>	<u>Variance</u>
Apr-14	\$ 185,798.19	\$ 191,340.91	\$ (5,542.72)
May-14	\$ 185,798.19	\$ 191,340.91	\$ (5,542.72)
Jun-14	\$ 185,798.19	\$ 191,340.91	\$ (5,542.72)
Savings to APlace			\$ (16,628.17)

2 New contract effective July at 6.04%

New monthly management fee \$ 180,305.09

3 Other contract terms

New contract calls for reduction of fee if assets sold accounting for more than 20% of the budgeted revenue
Reduction of mgmt fee starts the month following the sale, so if JC sold on 8/31, reduction would take place 9/1
However, our costs do not stop on 9/1. Need to wind down, collect a/r, file cost reports, tax returns, etc.

APlace Budgeted revenue total	\$ 35,822,204
20% of Budgeted revenue	\$ 7,164,441
Johnson City Portion	\$ 6,023,635
Does not meet the 20% criteria	17%

4 If criteria was met, and JC revenue was removed from the mgmt fee calculation, new mgmt fee would be as follows:

Budgeted Revenue Base with JC	\$ 35,822,204
Remove JC portion	\$ (6,023,635)
New base for Mgmt fee	\$ 29,798,669
Fee percentage	6.04%
New annual fee	\$ 1,799,839.61
New monthly fee	\$ 149,986.63
Current fee	\$ 180,305.09
Monthly savings if criteria was met	\$ 30,318.46

5 Proposed compromise

TAG will allow for reduction of management fee even though criteria not met
APlace will allow TAG to bill adjusted management fee through December 2014, splitting the difference between current and revised; Full reduction effective Jan 2015

	<u>contracted mgmt fee</u>	<u>50% of difference</u>	<u>mgmt fee under compromise</u>
Sep-14	\$ 180,305.09	\$ (15,159.23)	\$ 165,145.86
Oct-14	\$ 180,305.09	\$ (15,159.23)	\$ 165,145.86
Nov-14	\$ 180,305.09	\$ (15,159.23)	\$ 165,145.86
Dec-14	\$ 180,305.09	\$ (15,159.23)	\$ 165,145.86
	\$ 721,220.37	\$ (60,636.92)	\$ 660,583.45

6 January 2015 begin fully reduced management fee as if JC met 20% criteria

	<u>New fee w/o JC</u>	<u>Current fee</u>	<u>Savings</u>
Jan-15	\$ 149,986.63	\$ 180,305.09	\$ (30,318.46)
Feb-15	\$ 149,986.63	\$ 180,305.09	\$ (30,318.46)
Mar-15	\$ 149,986.63	\$ 180,305.09	\$ (30,318.46)
	\$ 449,959.90	\$ 540,915.28	\$ (90,955.38)

7 Summary

Savings due to billing error	\$ (16,628.17)
Savings under compromise through Dec 2014	\$ (60,636.92)
Savings Jan-Mar 2015	\$ (90,955.38)
Total Savings to APlace FY 2015	\$ (168,220.46)

MANAGEMENT SERVICES AGREEMENT
by and between
ASBURY, INC. and THE ASBURY GROUP, INC.

THIS MANAGEMENT SERVICES AGREEMENT (this "Agreement") is entered into to be effective as of the **1st day of April, 2014**, by and between **Asbury, Inc.** doing business as "Asbury Place" ("Corporation"), having an address of 910 Wilder Chapel Lane, Maryville, Tennessee 37804, and **The Asbury Group, Inc.** ("TAG"), a Delaware corporation, having an address of 20300 Century Boulevard, Suite 300, Germantown, Maryland 20874.

I. RECITALS

1.1 TAG is engaged in the business of providing management, development, and consulting services to owners/operators of retirement communities.

1.2 Corporation owns and operates multi-site senior residential communities and health service providers, namely Asbury Place Maryville, Asbury Place Kingsport Baysmont, Asbury Place Kingsport-Steadman Hill and Asbury Place Johnson City ("Communities"), a home and community based services operation ("Asbury Place at Home"), and a separately incorporated low income HUD facility, Forest Ridge Manor, Inc. ("Forest Ridge"); and

1.3 Corporation entered into a comprehensive Management Services Agreement with TAG, formerly Asbury Services, Inc., in July 2006 (the "Original Agreement"), subsequently Amended and Restated in July 2011 with several amendments and separate development agreements thereafter; and

1.4 In anticipation of the next major project in Corporation's strategic repositioning plan focused on the health care facilities at Asbury Place Maryville and Asbury Place Kingsport Baysmont ("Health Care Repositioning Project"), Corporation desires to establish a Management Services Agreement and a separate Project Management Agreement to cover the period of the Health Care Repositioning Project. These separate agreements will be executed contemporaneously by the Parties.

1.5 Having invested over eight years serving Corporation and supporting its strategic repositioning, TAG desires to remain Corporation's key management and development partner.

In consideration of the premises, covenants, and conditions contained in this Agreement, and intending to be legally bound, Corporation and TAG hereby agree as follows:

II. ENGAGEMENT OF TAG

2.1 Corporation hereby retains TAG to provide the services set forth in Section 2.5 (hereinafter the "Services") and TAG hereby accepts such engagement, upon the terms set forth herein.

2.2 Corporation understands that the Services to be provided herein may not be all of the services provided by TAG to other entities under various service agreements.

2.3 Corporation acknowledges that TAG will need the support of Corporation's Board of Directors, professional and administrative staff, and Corporation agrees to provide such support including, but not limited to: (i) cooperation with TAG and providing TAG access to Corporation's records, data, and personnel; and (ii) providing, on a timely basis, relevant data and information that may be requested by TAG in order to perform the Services.

2.4 TAG has developed the Services which it is to provide hereunder based on information provided by Corporation. The parties agree that the Services are limited to those Services set forth in Section 2.5 and the related Schedules.

2.5 During the term of this Agreement, TAG will provide the following Services:

Marketing (see Schedule 2.5.1)

Finance (see Schedule 2.5.2)

IT, *includes Hosting* (see Schedule 2.5.3)

Legal/Compliance (see Schedule 2.5.4)

Operations *does not include direct clinical services* (see Schedule 2.5.5)

Human Resources (see Schedule 2.5.6)

Strategic Planning and Corporate Strategy (see Schedule 2.5.7)

Asbury @ Home (see Schedule 2.5.8)

Development (see Schedule 2.5.9)

Any and all Services not included in an attached schedule (schedules 2.5.1 through 2.5.9) are not part of this Agreement. TAG is available to provide additional services not included in this Agreement. If Corporation is interested in TAG providing a service that is not included in this Agreement, TAG, upon request from Corporation, will provide Corporation with a proposal for the service including the cost, time frame, and such other information that may be requested by Corporation.

2.6 During the term of this Agreement, TAG is authorized to select third parties with which Corporation shall contract for services (hereinafter "Third Party Service Provider"). TAG shall be Corporation's agent and interface with each Third Party Service Provider on behalf of Corporation. Corporation understands that TAG is responsible for identifying Third Party Service Providers, but is not responsible for the actions of Third Party Service Providers or the employees of the Third Party Service Providers. TAG is not authorized to enter into any agreement that would absolve a Third Party Service Provider from liability for its actions or the actions of its employees. Corporation shall be financially responsible for all invoices and other charges for each Third Party Service Provider. It is

agreed by the parties that Corporation's Board of Directors shall retain the authority to refuse to engage a Third Party Service Provider with reasonable explanation to TAG. It is further agreed by the parties that TAG shall not retain accountants, advisors, auditors, insurance agents, or attorneys (except that TAG is authorized to retain legal counsel on behalf of Corporation and in the regular course of business if an existing attorney client relationship exists between a law firm and the Corporation), nor shall it create a new banking relationship, without first securing approval from Corporation's Board of Directors.

2.7 By entering into this Agreement, Corporation does not delegate to TAG any of the powers, duties, or responsibilities required to be retained by Corporation under applicable law (including all certificates and licenses issued under authority of law for operation of Corporation). Corporation shall be the owner and holder of all licenses, accreditation certificates, and contracts which Corporation has obtained in connection with the operation of the Community.

2.8 Corporation acknowledges and agrees that TAG shall provide its management Services through a review of key indicator and benchmarks; the development of financial and operating standards by which the income, costs, and operations of the Community may be evaluated; and general oversight of the operation and management of the Community, its marketing, planning for future operations, and establishment of policies and procedures. TAG shall provide its Services primarily through its offices located in Germantown Maryland, through the Chief Operating Officer for Corporation based in Tennessee and through telephone and videoconferencing, email/faxes, and onsite visits. Onsite visits may include reviews of records, staff training, meetings (with the board and/or board members, staff and/or residents), and observation. TAG agrees to provide at least one TAG employee to serve as a key executive for the region, who shall be responsible for overall supervision and leadership of the region. For purposes of this Agreement, the term region shall mean Virginia, West Virginia, North Carolina, South Carolina, Georgia and Tennessee.

2.9 TAG shall take no action, expend no funds, and incur no obligation with respect to Major Decisions, defined in this section 2.9, affecting the Corporation, unless such Major Decisions have been approved by the Board of Directors of Corporation. The following shall constitute Major Decisions:

- 2.9.1 Change in the licensure of the Community
- 2.9.2 Significant changes in the scope of services offered at the Community
- 2.9.3 Any expenditure of funds which is a significant deviation from either the capital or operating budget of the Community
- 2.9.4 Closing the Community or any portion thereof
- 2.9.5 Construction of a new building or buildings
- 2.9.6 The incursion of debt, other than in the ordinary course of business
- 2.9.7 Sale of any real property owned by Corporation

2.9.8 Resolution of any litigation that is not covered by insurance

2.9.9 Change in the legal structure of Corporation

2.10 TAG shall provide training it deems appropriate for Corporation staff in the areas in which TAG is providing Services. TAG, in consultation with Corporation, shall differentiate between mandatory and optional training. TAG shall be responsible for costs associated with mandatory training provided at the Community. Corporation shall require employees to attend all mandatory training sessions scheduled by TAG. It is understood and agreed that any mandatory training sessions shall be offered in such locations and at such times as appropriate to minimize cost and ensure appropriate coverage for resident care. Optional training programs shall be offered in either Maryland or Tennessee, at the discretion of TAG. Costs associated with employees of Corporation attending optional training shall be paid by Corporation.

2.11 TAG shall, at its expense, procure all licenses and permits which are required for it to lawfully render the Services.

2.12 TAG shall be responsible for the Direct Operating Costs incurred in connection with its provision of Services. The term "Direct Operating Costs," as used in the preceding sentence means TAG's costs directly attributable to the Services including: (i) salaries (wages, benefits and related payroll taxes) of TAG employees; and (ii) all taxes and fees currently imposed by federal, state, or local authorities at the commencement of this Agreement in connection with the provision of the Services. Except as otherwise provided in this Agreement, all other costs associated with performance of this Agreement shall be the responsibility of Corporation.

2.13 TAG and Corporation agree to participate in an annual "Stakeholders Meeting" to review the performance of TAG, which will include a written annual report summarizing the key accomplishments. For purposes of this Section 2.13, "Stakeholders Meeting" shall mean a meeting among key representatives of TAG, and members of the Board of Corporation designated by the Chairperson.

2.14 TAG shall work directly for and report to the Board of Directors of Corporation. Except as to matters relating to TAG's performance under this Agreement, discussions regarding terms for negotiation under the Agreement and executive sessions of the Board and any Committee of the Board, TAG shall participate in the meetings of Corporation's Board of Directors and meetings of the Executive Committee and Finance Committee of the Board of Directors of Corporation. The TAG Vice President of Operations, Asbury, which position is currently held by Marjorie Shonnard is the primary TAG staff member assigned to work with the Board of Corporation and fill the role of chief executive officer for Corporation. Except as to matters relating to TAG's performance under this Agreement, discussions regarding terms for negotiation under the Agreement and executive sessions of the Board and any Committee of the Board, TAG shall receive notice of any meeting of the Board of Directors, Executive Committee, or Finance Committee of the Board of Directors no less than five (5) days prior to said meeting, or if said meeting is called with less than five (5) days' notice, then at such time as the meeting is called. In

addition, except as provided otherwise herein, TAG shall receive notice of any meeting of any committee, permanent, temporary, or ad hoc of Corporation's Board of Directors no less than five (5) days prior to said meeting, or if said meeting is called with less than five (5) days' notice, then at such time as the meeting is called. Attendance at such committee meeting shall be at the discretion of TAG, and may be via teleconference, rather than in-person.

2.15 TAG shall work with the Board in an ongoing basis to implement and update Corporation's strategic plan, including tactical goals and objectives. This work will be primarily accomplished at the regularly scheduled Board meetings and special interim meetings called for this purpose.

III. PERSONNEL

3.1 The TAG Vice President of Operations, Asbury, which position is currently held by Marjorie Shonnard, shall also hold the position of Chief Operating Officer ("COO") of Corporation. TAG, collectively, shall perform the duties and responsibilities of Chief Executive Officer ("CEO") of the Corporation.

3.2 TAG agrees to furnish personnel which, in its judgment, are required to properly perform the Services. TAG shall furnish to Corporation, upon request, certificates of insurance, as evidence of the proper employee insurance coverage for its employees.

3.3 Individuals named in this agreement may be replaced at the discretion of TAG with other qualified personnel with the exception of the primary TAG staff member assigned to work with the Board of Corporation. The primary TAG staff member assigned to work with the Board of Corporation may be replaced only upon approval by the Board of the Corporation. If any TAG personnel are not reasonably acceptable to the Board of Directors of Corporation, the Chair may request, in writing, the removal of such personnel. Upon the receipt by TAG of such written request, TAG shall provide, within a reasonable time, a replacement acceptable to the Board of Directors.

3.4 All persons who are Corporation employees on the date of this Agreement shall continue to be employees of Corporation until such time as their employment is terminated by Corporation, whether voluntarily or involuntarily.

3.5 At the termination of this Agreement, regardless of the reason therefore, in the event TAG terminates any of its employees who previously worked at Corporation's Community, with the exception of those listed on Schedule 3.4, and such employee(s) are rehired by Corporation within six (6) months after the termination of this Agreement, Corporation shall reimburse TAG for any and all employment related expenses associated with such termination, including, but not limited to, paid time off, vacation, or sick pay and severance, paid by TAG to such employee.

3.6 Corporation acknowledges that TAG's salaried employees providing Services to Corporation's Community are essential to TAG's core business of providing management services and are familiar with TAG's operating procedures and other information proprietary to TAG. Therefore, with the exception of those listed on Schedule 3.4, Corporation agrees to not, without TAG's prior written consent, solicit for employment,

hire, make any agreement with, or permit the employment (including employment by any successor Corporation or any person or entity providing services to Corporation or to its successor), or any person who is or has been a TAG salaried employee within the earlier of one (1) year after such employee terminates employment with TAG or within one (1) year after termination of this Agreement. Those employees listed on Schedule 3.5 shall be exempted from this non-hire provision. Any employee who was employed by Corporation on the day before the effective date of this Agreement shall be excluded from this provision. Corporation also acknowledges that its breach of the obligations set forth in this section would irreparably harm TAG's business and leave TAG without an adequate remedy at law, and that TAG would be entitled to both a temporary restraining order and permanent injunctive relief to enforce the terms of this section. Corporation agrees to the entry of judicial order for such relief and waives any requirement of bond. This provision shall survive termination of this Agreement.

IV. EQUIPMENT

4.1 TAG will provide certain information technology equipment (including computer hardware) and software in order to render the Services. All equipment (including computer hardware) and software owned and licensed by TAG, and provided to render the Services shall be and remain the property of TAG and Corporation shall have no ownership interest in or right to use such equipment and software. TAG shall be responsible to repair (including replacement parts) and maintain said equipment, hardware, and software, at no additional cost to Corporation. Notwithstanding the foregoing, in the event Corporation or its employees, visitors, residents, or guests, are responsible for damage to the equipment, hardware, or software TAG shall charge Corporation for the cost of such maintenance or repair.

4.2 All information technology equipment (including computer hardware) and software owned or licensed by Corporation, regardless of where it is located, shall be and remain the property of Corporation. Corporation shall be responsible to repair (including replacement parts) and maintain said equipment, hardware, and software at its expense. Notwithstanding the foregoing, in the event TAG or its employees are responsible for damage to the equipment, hardware, or software Corporation shall charge TAG for the cost of such maintenance, repair, or replacement. TAG will maintain a list of equipment that it provides for use in performance of this Agreement that will be physically located at the Communities. All property that is not identified on this list will be presumed to be the property of Corporation, unless TAG can demonstrate that TAG is the proper owner of the equipment. It is understood that certain information technology equipment and servers will be relocated to TAG's corporate headquarters in Germantown, Maryland, but will remain the property of Corporation. An inventory of such items will be created at the time the equipment and servers are removed from Corporation's office.

4.3 Upon termination of this Agreement, Corporation may, with the consent of TAG, purchase from TAG mutually agreed items of equipment located on or at the Community at the then depreciated book value of such equipment. In any such sale and purchase of equipment, TAG shall remove all TAG's insignia and identifying marks from the equipment. Notwithstanding the foregoing, Corporation shall not be entitled to purchase said equipment in the event this Agreement is being terminated by TAG due to a

breach by Corporation.

V. COMPENSATION OF TAG

As compensation for the Services to be rendered by TAG hereunder, Corporation agrees to pay to TAG the amounts set forth below.

5.1 Corporation shall pay TAG, in advance, an Annual Fee of **6.08%** of Budgeted Operating Revenue, defined as Health Service Revenue plus Assisted Living Revenue plus Independent Living Revenue plus Other Operating Revenue less Contractual Adjustments less Benevolent Care. The Annual Fee shall be paid by Corporation to TAG in twelve (12) equal monthly installments. The Budgeted Operating Revenue shall be reestablished each April 1 with the adoption of Corporation's budget for the next fiscal year. However, if prior to the end of the fiscal year, Corporation divests a facility or business line that represents twenty percent (20%) or more of Budgeted Operating Revenues, the Annual Fee shall be recalculated based on the revised Budgeted Revenues and such adjusted Annual Fee shall be effective from the first day of the month following the date of the divestiture.

5.2 If the Services commence or terminate on a day other than the first or last day of the month, respectively, then the cost for said first or last month shall be pro-rated based on a 30-day month. Commencing with the execution of this Agreement, Corporation shall arrange to have the Annual Fee automatically paid by wire transfer into an account designated by TAG on the first day of each month. A change or modification to the wire transfer process shall constitute a Material Breach of this Agreement, unless said change or modification is agreed to in writing by both parties to this Agreement.

5.3 On the commencement date of the Original Agreement between the parties, Corporation paid to TAG a Deposit of **Two Hundred Seventy Two Thousand One Hundred Forty-Eight Dollars (\$272,148.00)**. Within thirty (30) days of execution of this Agreement, TAG shall refund to Corporation **Ninety-two Thousand Nine Hundred and Ninety Two Dollars (\$92,992.00)** and, thereafter, hold a Deposit of **One Hundred Seventy Nine One Hundred and Fifty Six Dollars (\$178,156.00)** as a Deposit in accordance with the terms of this Agreement. TAG, may but is not required to, utilize these funds in the event Corporation is in arrears in its payments to TAG. In the event TAG does use the Deposit to pay for payments due from Corporation which are in arrears, Corporation shall immediately (within ten (10) days of written notice of the use of said Deposit by TAG) replace the portion of the Deposit so used. In the event this Agreement is terminated by TAG as a result of a Material Breach by Corporation, TAG shall retain the Deposit. In the event this Agreement is terminated by Corporation as a result of a Material Breach by TAG, the Deposit, less any fees owed to TAG, shall be returned to Corporation at the end of three (3) months following the Termination Date (the initial or any renewal term at which time TAG ceases providing services to Corporation). For purposes of this section 5.3, Material Breach is defined as a breach, inaccuracy, failure to perform, failure to comply, conflict with, default, violation, acceleration, termination, cancellation, modification, or required notification on a matter that is material to the Agreement. In the event this Agreement is terminated for convenience or at the end of the Term, the Deposit, less any remaining fees owing to TAG, shall be returned to Corporation within thirty (30) days of termination.

5.4 Corporation shall pay TAG the Annual Fee, in advance, as provided in section 5.1, on the first day of each month during the term of this Agreement. In addition to the Annual Fee, Corporation shall pay TAG for the fees, costs, and expenses set forth below (hereinafter the "Additional Amount") in arrears, on the first day of each month during the term of this Agreement, and for Reimbursable Travel Expenses as set forth on Schedule 2.12. The Additional Amount shall be the fees, costs, and expenses incurred by TAG in the month immediately preceding the month in which such Additional Amount shall be due and owing. Any unpaid portion of the Annual Fee and the Additional Amount, after fifteen (15) days past the due date, shall bear interest at the rate of 1.5% per month, until paid in full. Any amount which is due from Corporation to TAG for a period of sixty (60) or more days shall, at the option of TAG, be cause for TAG to terminate this Agreement, ask for a secured promissory note for the amount in such arrears, and or cause Corporation to pay for any and all Management Services, on a going forward basis, in advance of the Services being rendered. This Section 5.4 shall be applicable solely in the event Corporation has insufficient funds at the end of any given month to pay TAG and Corporation's other vendors, associates, and taxes. TAG shall provide an annual credit of forty five thousand dollars (\$45,000) to be applied against Reimbursable Travel Expenses (hereinafter, "Reimbursable Travel Expense Credit"). Reimbursable Travel Expenses shall be detailed on the monthly invoice along with the current balance of the Reimbursable Travel Expense Credit. Any unused Reimbursable Travel Expense Credit shall expire at the end of the annual period. Any Reimbursable Travel Expenses that exceed the annual Reimbursable Travel Expense Credit, shall be due and owing according to the terms of this Section 5.4. Notwithstanding the above, the Reimbursable Travel Expense Credit shall not be applicable to Services provided under Schedule 2.5.8 and 2.5.9, Corporation shall be responsible for paying those related Reimbursable Travel Expenses.

Corporation hereby grants TAG the right to pay itself the Additional Amount each month in the ordinary course of paying accounts payable for Corporation.

5.5 Corporation shall reimburse TAG for any relocation expense incurred by TAG as a result of moving its employees to or from Corporation's Community, at the request of Corporation. Such amount shall not exceed Ten Thousand Dollars (\$10,000) per individual so relocated.

5.6 The Annual Fee has been established on the basis of the areas, departments, services, equipment, and specific duties set forth on the Schedules attached hereto and by this reference incorporated herein. To the extent the parties agree upon any increase or decrease in Services to be provided pursuant to this Agreement, the parties agree that the Annual Fee shall be modified, in a mutually agreed upon manner, to reflect the changed Services. Some examples of changed Services are: an increase in residential, assisted living or skilled units which are not a replacement for existing units and which are occupied, the development and implementation of a new service, such as an adult day care center, the closing of a skilled nursing or assisted living facility, which is not replaced with a new facility or other replacement units. The change in the Annual Fee shall be reflected in the first invoice immediately following the change in Services.

5.7 In addition to the Annual Fee and the Additional Amount, Corporation shall reimburse TAG for all costs of insurance purchased by TAG in connection with or on behalf of Corporation or the Services provided by TAG to Corporation and all costs of third party

consultants, accountants, and attorneys whose services are employed by TAG on behalf of Corporation. Said costs shall be paid by Corporation to said third party.

5.8 Corporation and TAG desire to include a modifier to the Annual Fee based on actual annual performance ("Performance Adjustment"). If actual operating revenue is less than Budgeted Operating Revenue, TAG shall pay Corporation 6.08% of the difference. If actual operating revenue is greater than Budgeted Operating Revenue, Corporation shall pay TAG 6.08% of the difference. Such payment shall be calculated annually, at the close of Corporation's fiscal year, and paid within thirty (30) days of Corporation's Board accepting the audit of the Corporation's annual financial statements. Notwithstanding, any Performance Adjustment payment owed by TAG to Corporation or owed by Corporation to TAG shall be limited to a maximum of sixty thousand eight hundred dollars (\$60,800) annually.

5.9 The Parties acknowledge that Asbury Place Johnson City is in the process of being sold. Notwithstanding anything stated herein to the contrary, upon the sale of Asbury Place Johnson City, the Budgeted Operating Revenue will be revised so that the facility will be removed from the revenue and expense of the Corporation. The Annual Fee will subsequently reflect the revised Budgeted Operating Revenue going forward.

5.10 In the event of any unanticipated changes in the structure or operations of the Communities which has a substantial and material impact on the Budgeted Operating Revenue, Corporation and TAG agree to negotiate in good faith toward implementing a revised Budgeted Operating Revenue which reflects such change.

5.11 Any revision to the Budgeted Operating Revenue will be effective only upon approval by the Board of the Corporation.

VI. RISK OF LOSS AND INDEMNIFICATION

Corporation shall indemnify and hold harmless TAG and each of its shareholders, officers, directors, and employees of TAG and its members and shareholders, ("TAG Indemnified Party") of and from any claims, losses, liabilities, and demands of every kind and nature whatsoever, including, without limitation, the costs of defending any such claims, liabilities, and demands arising in connection with TAG's authorized activities set forth herein; provided, however, that Corporation shall not be required to indemnify or hold harmless TAG from any claims, losses, liabilities, or demands which arise from actions or omissions which are performed in bad faith and which arise out of willful misconduct, gross negligence, or fraud by TAG or any of its agents or employees. TAG agrees to indemnify and hold Corporation and each of its members, and the officers, directors, and employees of Corporation ("Corporation Indemnified Parties") harmless from and against any and all liability, loss, damage, cost, or expense (including attorneys' fees) related to or caused by: (i) a Material Breach, defined in Section 5.3, by TAG of any of the provisions of this Agreement; or (ii) an intentional, reckless, fraudulent, or grossly negligent act or omission of TAG or any TAG Indemnified Parties in the performance of their duties or Services under this Agreement.

VII. MEDIATION

7.1 In the event a dispute arises between TAG and Corporation, the parties agree that prior to entering into binding arbitration they shall participate in non-binding mediation. Any mediation proceedings shall be held in or near Maryville, Tennessee.

7.1.1 The mediation shall be under the auspices of and pursuant to the rules of the American Health Law Attorneys Alternative Dispute Resolution procedure, policies, and rules.

7.1.2 Each party shall pay its own costs, expenses, and attorneys' fees in connection with any mediation.

7.1.3 The mediation process shall terminate at the earlier of such time as the parties have resolved their dispute or the mediator determines that further efforts to reach a resolution of the dispute through mediation would not be productive.

VIII. ARBITRATION

8.1 In the event a dispute arises between TAG and Corporation, and non-binding mediation provided for in Section VII does not result in successful resolution of the dispute, the parties agree that such dispute shall be resolved through binding arbitration. Any arbitration proceedings shall be held in or near Maryville, Tennessee. Unless otherwise agreed by the parties:

8.1.1 The arbitration shall be under the auspices of and pursuant to the rules of the American Health Law Attorneys Alternative Dispute Resolution procedure, policies and rules.

8.1.2 Each party shall pay its own costs, expenses and attorney's fees in connection with any arbitration.

8.1.3 The arbitrator shall have no authority to add to, detract from, alter, amend, or modify any provision of this Agreement or impose on any party hereto a limitation or obligation not explicitly provided for in this Agreement. Under no circumstances is past practice of the parties to be considered controlling over the terms of this Agreement.

8.1.4 The award in writing of the impartial arbitrator on the merits of any dispute submitted to him or her shall be final and binding on TAG and Corporation, and on any other entity controlled by, in control of, or under common control with the parties, and shall be rendered within thirty (30) days of the hearing. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

8.1.5 A list of ten (10) arbitrators shall be jointly requested in writing from the American Health Lawyers Association. Three impartial arbitrators will be selected from this list by alternate elimination from the list until three (3) arbitrators remain. The party not requesting the arbitration shall make the first strike. The American Health Law Attorneys will be notified by joint letter of the arbitrators so selected.

IX. TERM AND TERMINATION

9.1 The term of this Agreement shall be for a period of thirty-nine (39) months, commencing on the 1st day of April 2014 and terminating on the 30th day of June 2017. Notwithstanding the foregoing, if neither TAG nor Corporation has given notice of intent to terminate the Agreement no less than ninety (90) days prior to the last day of the term of this Agreement, this Agreement shall automatically renew for one successive thirty-six (36) month term.

9.2 Either TAG or Corporation may terminate this Agreement upon thirty (30) days prior written notice for a Material Breach by the other party (the "Breaching Party") which goes uncured by the Breaching Party. The non-breaching party shall provide the Breaching Party with written notice of the Material Breach. The Breaching Party shall then have a period of thirty (30) days to cure said Material Breach. In the event the breaching party fails to cure the Material Breach, the non-breaching party shall give the Breaching Party a thirty (30) day written notice of termination. At the end of said thirty (30) day period, unless the Breaching Party has provided the non-breaching party with a written request for mediation, in which case the parties shall enter into mediation pursuant to Section VII hereof, the non-breaching party may send written notice of immediate termination to the Breaching Party. For purposes of this provision, the term Material Breach shall mean failure of Corporation to pay any fee, cost, or amount due, actions or omissions by either party which are performed in bad faith and which constitute willful misconduct, gross negligence, or fraud, or the failure of either party to cure, within sixty (60) days of receipt of written notice, a breach of this Agreement.

9.3 In the event this Agreement is terminated in accordance with its terms, for any reason, by either TAG or Corporation, Corporation shall pay to TAG the amount of any unpaid portion of the Annual Fee, Additional Amount, or fees or amounts due pursuant to any of the Schedules to this Agreement due prior to the Termination Date, together with all out-of-pocket and third party expenses incurred by TAG prior to the Termination Date, and fees which are due and unpaid as of the Termination Date. TAG shall pay to Corporation the Deposit.

9.4 In the event this Agreement is terminated in accordance with its terms, for any reason, by either TAG or Corporation, TAG shall provide Corporation, at the expense of Corporation, a copy of Corporation's books and records. All TAG policies, procedures, books, records, information technology, including hardware and software, employees, and such other property of TAG as shall be on the premises of, or under the control of, TAG and/or its employees, shall be returned immediately to TAG, except that Corporation shall not be required to return those policies, procedures, books, records, or other materials which are specific to and were created exclusively for Corporation, including Employee Handbooks, financial records, and projections, or Resident Agreements, etc. It is understood and agreed that any reference to TAG would be removed from such documents upon termination of this Agreement, and that Corporation will not provide such documents to any third party other than attorneys, auditors, accountants, bankers, or insurance agents who will use the information and documents for Corporation's benefit.

9.5 This Agreement contemplates a management services relationship and, notwithstanding any provision to the contrary herein, may be terminated by either party upon one hundred and eighty (180) days written notice to the other party. It is expressly agreed that services shall continue to be provided, and payment shall continue to be made hereunder pursuant to the terms of this Agreement, during the 180-day notice period. However, should Corporation exercise its option to terminate this Agreement pursuant to this Section 9.5, it may request that TAG cease providing services earlier than the end of the 180-day term, but Corporation shall pay TAG for the entire notice period, absent a Material Breach (as defined in Section 9.2 above) of the Agreement by TAG. Should Corporation exercise its option to terminate this Agreement pursuant to this Section 9.5, Corporation shall reimburse TAG for any pre-paid software licensing fees that TAG paid on behalf of Corporation. Payment shall be made in a lump sum at the time the Agreement is terminated.

9.6 Upon termination or expiration of this Agreement, regardless of the reason for termination, it is agreed by the parties that:

9.6.1 Corporation will remain the owner of all data utilized or stored in the performance of this Agreement that is maintained on the servers in the physical possession of TAG and that the parties will cooperate in Corporation transferring this data to a different server host.

9.6.2 Corporation will retain possession and/or control of information technology equipment (including computer hardware and software) leased or purchased by TAG on behalf of Corporation and with Corporation funds. This specifically includes but is not limited to the Microsoft Office™ or other similar software license obtained and used for the benefit of Corporation's Communities.

X. GENERAL PROVISIONS

10.1 TAG shall make available to the Secretary of Health and Human Services or to the Comptroller General of the United States (or any of their duly authorized representatives) copies of this Agreement (including all amendments hereto) and TAG books, documents, and records to the extent necessary to verify the nature and extent of the payments made by Corporation to TAG hereunder. Such access shall be limited to a period of four (4) years after the furnishing of the Agreement. Such access shall be provided in accordance with the written regulations established by the Secretary of Health and Human Services.

10.2 Any notice required or permitted to be delivered in connection with this Agreement must be in writing and may be given by certified or registered mail, facsimile, hand-delivery or by overnight courier and shall be deemed to be received (a) if given by certified or registered mail, three (3) days after deposit in the United States mail, postage prepaid, certified mail, return-receipt requested, or (b) if given by facsimile or hand-delivery, when such notice is received by the party to whom it is addressed, or (c) if given by an overnight courier or delivery service, one (1) business day after deposit with such courier. Notices shall be sent to the parties at the address or facsimile number set forth below:

Notices to Corporation shall be addressed to the then-Chair of the Board of Directors of Asbury, Inc. at his/her mailing address as furnished to TAG in connection with his/her board service, with copy to:

Hunter, Smith & Davis, LLP
Attn: Michael Lattier
P.O. Box 3740
Kingsport, Tennessee 37664-0740
Facsimile No.: 423-378-8801

Notices to TAG shall be addressed to:

The Asbury Group, Inc.
Attn: President
20030 Century Boulevard, Suite 300
Germantown, MD 20874
Facsimile No.: 301-250-2116

Either party may change its address for notice by written notice to the other parties given in accordance with this Section.

10.3 A declaration by a court or Arbitrator that any provision of this Agreement is invalid shall not affect the validity of the remainder of this Agreement. This Agreement is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior oral or written agreements with respect to such subject matter and any amendment or modification must be in writing and signed by Corporation and TAG.

10.4 Except as otherwise provided herein, this Agreement may not be assigned by any party without the written consent of the other party, which consent may be withheld. Any permitted assignment and assumption shall not affect the obligations of the assigning party under this Agreement, which will remain in full force and effect.

10.5 This Agreement shall bind and inure to the benefit of all parties hereto and their respective successors and permitted assigns. This Agreement shall not be deemed to inure to the benefit of any third party including the Third Party Service Provider.

10.6 Maryville, Tennessee shall be the venue for mediation on or in respect of this Agreement. This Agreement, and the rights and obligations of the parties hereto, shall be governed by, interpreted in accordance with, and enforced under the general laws, but not the conflicts laws, of the State of Tennessee.

10.7 This Agreement may be executed in one (1) or more counterparts, all of which shall be deemed to be an original and shall be considered one and the same agreement.

10.8 The headings used in this Agreement are for convenience only and will not enlarge or diminish the effect of the provisions of this Agreement.

10.9 Nothing in this Agreement or in connection herewith: (1) contemplates or requires the referral of any resident or the purchase, order, or lease of any item or service; or (2) shall be construed as an offer or payment of cash or any other form of remuneration, whether directly or indirectly, overtly or covertly, for resident referrals or for recommending or arranging the purchase, lease, or order of any item or service. The parties acknowledge that any resident referrals will be based solely on the assessment of each resident's health care needs, care plan, and the expressed preferences of each resident. The parties acknowledge that any business referral will be based solely on the legitimate and lawful needs of the organization. The parties agree that all amounts paid under this Agreement are intended to, and do, reflect the *fair market value* of the services rendered. It is specifically acknowledged by the parties that no amount paid, or to be paid, hereunder is intended to, nor shall it be construed to be an inducement or payment for the referral of residents or for recommending or arranging the purchase, lease, or order of any item or service.

10.10 TAG agrees to abide by the terms of the Business Associate Agreement executed in connection with this Agreement. In the event of a significant breach of such Business Associate Agreement by TAG, Corporation may terminate this Agreement. In connection with a breach of the Business Associate Agreement, the non breaching party may report such material breach to the Secretary of the Department of Human Services and/or the Office for Civil Rights.

10.11 The parties to this Agreement shall each maintain insurance coverage of a minimum of \$1,000,000/\$3,000,000 in professional liability and \$1,000,000/\$2,000,000 in comprehensive general liability. In addition, the parties to this Agreement shall each maintain Workers' Compensation coverage (as required by state law) for their respective employees and insured and uninsured automobile liability coverage of a minimum of \$1,000,000. All insurance policies required under this Section will be carried with mutually acceptable companies. Each party will be entitled to thirty (30) days written notice of cancellation of any such insurance policy. Any insurance coverage required to be obtained and maintained by Corporation or TAG may be provided under either party's existing umbrella policies. Each party's comprehensive general liability policy will contain contractual liability coverage covering each party's respective indemnification obligations hereunder. Each party will provide the other with copies of policies or certificates evidencing the insurance coverage required herein.

10.12 In the course of this Agreement, it may be necessary for one party (the "Disclosing Party") to disclose proprietary and/or confidential information ("Information") to the other party (the "Non-Disclosing Party"). In order to avoid confusion, the parties agree that all information provided by a Disclosing Party to a Non-Disclosing Party in connection with the performance of this Agreement shall be Information.

10.12.1 The Information shall be used solely for the purpose of the parties performing their duties pursuant to this Agreement. At such time as TAG is no longer providing Management Services pursuant to this Agreement, each party shall return to the other all copies of Information in whatever form such Information may exist.

10.12.2 Except as otherwise provided in this Agreement, each party shall maintain the Information of the other party in strict confidence and shall not disclose the

Information to any third party, provided that each party may disclose the Information to those of its employees, independent contractors, agents, representatives, and consultants who need to know such Information and who have agreed to be bound by the terms of this Agreement.

10.12.3 The term "Information" does not include any information which: (i) at the time of disclosure or thereafter, is generally available to and known by the public (other than as a result of a disclosure directly or indirectly by TAG, its employees, independent contractors, agents, representatives, and consultants); or (ii) was available to the disclosing party on a non-confidential basis from a source other than a party to this Agreement.

10.12.4 Each party shall use the same degree of care and maintain in a confidential manner, equal to the manner in which it maintains its confidential information, any and all Information.

10.12.5 Should either party be required by applicable law or regulation to disclose Information, it may do so without being in breach of this Agreement; provided however, that TAG shall have given Corporation notice thereof so as to provide Corporation a reasonable opportunity to obtain a protective order or other appropriate relief. In all events, TAG shall make reasonable efforts to obtain confidential treatment of Information.

10.13 The Parties to this Agreement hereby attest that they are not currently excluded, suspended, debarred, or otherwise ineligible to participate in the Federal Health Care Programs; and have not been convicted of a criminal offense related to the provision of health care items or Services. It is the affirmative obligation of the parties to this Agreement to inform the other party in writing if they become ineligible to participate in Federal health care programs, as described above.

10.14 Neither TAG nor Corporation shall be liable for failure to perform its respective obligations under this Agreement when such failure is caused by fire, explosion, water, act of God, civil disorder or disturbances, strikes, vandalism, war, riot, sabotage, weather, and energy related closings, governmental rules and regulations, failure of third parties to perform their obligations with respect to the Services, or like causes beyond the reasonable control of such party, or for real or personal property destroyed or damaged due to such causes.


10.15 Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, COUNTERCLAIM OR JUDICIAL PROCEEDING BROUGHT BY ANY PARTY INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR IN CONNECTION WITH THIS AGREEMENT AND ANY ACTS OR OMISSIONS OF ANY PARTY IN CONNECTION HERewith.

10.16 The Parties to this Agreement understand that TAG has an active Compliance Program which includes a Code of Conduct by which all associates, board members, residents, and vendors are expected to behave. The Board of Directors of Corporation will support TAG in the implementation of the Compliance Program, including the Code of Conduct at the Community.

10.17 All schedules, exhibits, and attachments referenced herein are hereby incorporated herein and made a part of this Agreement.

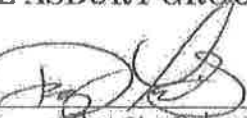
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.


ASBURY, INC.

By: 
Name: Sandra Davis
Title: Board Chair

By: 
Name: M. AUGUSTINE MCCLURG
Title: SECRETARY

THE ASBURY GROUP, INC.

By: 
Name: DOUGLAS LEIDL
Title: PRESIDENT

By: 
Name: ANDREW H. JOSEPH
Title: SECRETARY

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SCHEDULE 2.5.1

Marketing

Services to be provided to the Community (excluding the Forest Ridge HUD)

1. Marketing Staff. TAG will recruit, hire, train, and monitor marketing team members as required. TAG will provide input and recommendations for all marketing staff compensation packages. TAG and Corporation agree that all marketing staff, with the exception of the marketing team leader, shall be employees of Corporation. TAG will designate a TAG employee to serve as the marketing team leader.
2. Trips to the Maryville and Kingsport Campuses. The marketing team leader shall travel to the Maryville and/or Kingsport campuses approximately twelve (12) times per year.
3. Marketing and Budget. A budget will be included in each annual revision of the marketing plan. Monitoring of the budget and resource allocation is the responsibility of the onsite Director of Marketing, an employee of Corporation, and the Executive Director of the community.
4. Marketing Plan. The marketing plan is a dynamic document. The marketing plan is revised by the marketing team leader in coordination and cooperation with the onsite Director of Marketing and the Executive Directors of the Community's campuses, on an annual basis. It is the responsibility of the onsite Director of Marketing, an employee of Corporation, to monitor, implement, review, and modify the marketing plan, as needed, based on actual events and experience between revisions.
5. Building the Lead Base. TAG will assist Corporation in the organization of a prospect lead base, consisting of individuals on the existing waitlists and recent inquiries. TAG will provide training for the marketing staff on the REPs or similar lead base software program on an as-needed basis. The lead base training shall be primarily provided through webinars.
6. Advertising Agency. TAG will work with Corporation to identify and engage an advertising agency capable of positioning the Community's campuses receiving these Services utilizing media, communications, promotions, graphics, and advertising, as well as collateral materials such as a website, architectural presentation boards, brochure, necessary forms and procedures, invitations/direct mail, and newsletter. The advertising agency will work directly with the marketing team leader.
7. Public Relations. TAG will work with Corporation to provide direction for executing a public relations plan. Implementation of the public relations plan is the responsibility of the Director of Marketing and Executive Director at each community.
8. Special Events, Promotions, and Cultivation Meetings. TAG will develop a regularly scheduled series of activities targeted specifically to prospects. The Director of Marketing and Executive Director at each community shall be responsible for the tactical planning and presentation for such events.

9. Prospective Resident Referral Program. TAG will coordinate the development of a prospective resident referral program. It is the responsibility of the onsite Director of Marketing, with the cooperation and coordination of the Executive Director, of the community to implement the program.

Services provided to Forest Ridge. No marketing services are anticipated for Forest Ridge. Forest Ridge has been provided with the necessary marketing materials. Any services provided will be requested by Corporation in writing, agreed to by TAG and provided at TAG's then hourly rate for such services.

SCHEDULE 2.5.2

Finance

Services provided to the Community (excluding the Forest Ridge HUD)

1. Payroll. Select the third parties for processing payroll, fringe benefits, and other expenses of employment, subject to the rights reserved to the Board of Directors in Section 2.6.
2. Accounts Receivable. Supervise and direct Corporation's employees in the collection of all accounts receivable of Corporation.
3. Budgeting. Provide Corporation with a budget process, be responsible for implementation of said budget process at the Community, provide services within the established budget, and monitor Corporation's use of the established budget, including reviewing and approving Corporation's budgets for operations, capital outlay, and cash requirements.
4. Financial Reporting. Provide a monthly report regarding variances of actual to budgeted income and expenses in all budget categories.
5. Accounting. Establish and maintain Corporation's books of accounts. TAG shall assist and manage Corporation's staff in the implementation of the chart of accounts and other accounting changes which may be necessitated by TAG's role and involvement in Corporation's accounting.
6. Finance Policies. Provide Corporation with policies, procedures, and if applicable, a formula to use in setting financial requirements for the admission of residents to the Community. If actuarial programs or review are necessary this will be done by a third party and paid for by Corporation.
7. Resident Rates. No less than annually, provide Corporation's Board of Directors with recommendations on rates, and rate increases for resident services at the Community, including entrance fees, monthly and daily rates, and rates for ancillary services not otherwise included in the daily rate paid by the resident.

8. Insurance. Obtain, on behalf of Corporation, insurance coverage which, based on a reasonably prudent business standard, is necessary or incident to the operations of Corporation.
9. Accounts Payable. Responsible for all billing, and accounts payable services of Corporation, and for working with Corporation's employees to collect accounts receivable. These responsibilities shall include the submission of all Medicare and Medicaid claims, bills, invoices, and cost reports. TAG shall pay all of Corporation's expenses (including all expenses hereunder) out of Corporation's funds and shall not be responsible for the payment of any expense for which Corporation does not have sufficient funds; provided, however, that if Corporation has insufficient funds to meet its financial obligations, TAG shall so notify the President and Chair of the Board of Corporation.
10. Financial Forecasting. Provide Corporation with such financial forecasting services as may be requested by Corporation, and are deemed necessary and appropriate by TAG. Notwithstanding the foregoing, Corporation understands and agrees that the financial forecasting services referred to herein do not include financial forecasting in connection with a tax exempt bond or other financing, expansions, redevelopment of a campus or a new CCRC or line of business. All Services of TAG in connection with a tax exempt bond or other financing, campus expansions and redevelopments, and development of a new CCRC campus or line of business, including but not limited to financial forecasting, financial projections, determining Corporation's borrowing needs, and assisting Corporation in obtaining and negotiating the terms of any tax exempt bond or other financing package shall be provided and performed in connection with a tax exempt bond or other financing addendum to this Agreement, at a price and scope of work to be agreed upon by the parties.
11. Debt Obligations. Work with Corporation to monitor Corporation's outstanding loans, lines of credit, tax-exempt bonds and other financing packages. Corporation shall be solely responsible for payment of all amounts due on any loan, line of credit, bonds, or other financing; provided, however, that TAG shall make such payment from Corporation's funds on behalf of Corporation.
12. Auditors. Maintain responsibly for working with the outside financial auditors of Corporation, which auditors shall be selected by Corporation's Finance Committee, and shall coordinate the completion of the Community's annual audit. In addition, TAG shall be responsible for assuring that Corporation has audited financial statements acceptable to such financial institutions as may have contractual rights to review Corporation's audited financial statements.

Services provided to Forest Ridge

TAG shall provide no accounting or financial services to Forest Ridge. Forest Ridge shall be responsible for the timely preparation of all periodic financial statements, and submission to governing entities as necessary and/or required. Forest Ridge shall be responsible for the timely completion of its annual audited financial statements, and said audited financial statements shall be provided to Asbury, Inc. at such time and in such manner and condition as to allow for the consolidation of the Forest Ridge financial

statements into the Asbury, Inc. financial statements and the timely (in accordance with its bond documents and such other requirements which may exist) publication of the Asbury, Inc. financial statements. Any services provided will be requested by Corporation in writing, agreed to by TAG and provided at TAG's then hourly rate for such services.

SCHEDULE 2.5.3

Information Technology

1. Help Desk Services. TAG shall verify a service desk function is in place to register, communicate, dispatch and analyze all calls, incidents, service requests and information demands.
2. Desktop. TAG will ensure the desktop and devices are designed, implemented and maintained in a way to support the business requirements, applications, functions, and systems.
3. Local Area Network (LAN). TAG will ensure the local area network; including switches, wireless, UPS systems, fiber and copper backbones, is designed, implemented and maintained in a way to support the business requirements, applications, functions, and systems.
4. Wide Area Network (WAN). TAG will ensure the wide area network; including routers, firewalls, content filtering, MPLS, and Broadband access is designed, implemented and maintained in a way to support the business requirements, applications, functions, and systems.
5. Data Center Hosting Services. TAG shall ensure the equipment and environment that houses and supports Corporation's applications, software, and data is designed, implemented and maintained in a way to support the business requirements and follow industry best practices with hardware, maintenance, monitoring and security.
6. Application and Database Services. TAG shall ensure Corporation's applications, software, files and databases are supported and maintained.
7. Information Security. TAG shall ensure an IT security plan is in place and embedded in the culture of the organization that maintains the confidentiality, integrity and availability of Organization's private, critical and sensitive data to only authorized users.
8. Business Continuity and Disaster Recovery. TAG shall ensure there is an effective continuous service process that minimizes the probability and impact of a major IT service interruption on key business functions and processes through the development, maintenance, and testing of IT continuity and disaster recovery plans that also address service recovery and resumption. Verify backup and offsite storage of critical applications and systems are maintained and tested that ensures compatibility of hardware and software to restore archived data and that it is periodically tested.

9. Project Portfolio Management. TAG shall ensure that a project and portfolio management framework is in use for the management of all IT projects to include prioritization, sequencing, resource allocation, definition of requirements and deliverables, approvals by end users, a phased approach to delivery, quality assurance, formal test plan, project risk, and post implementation review.
10. Asset Management. TAG shall ensure an asset management system is in place to inventory hardware, software and licensing assets in order to make informed decisions about purchases and redistributions, increase accountability to ensure compliance, track over/under user license accounts, and enhance performance of assets and the life cycle management.
11. System Operation and Use. TAG will verify all end-users and support staff have adequate training and documentation for the proper use and maintenance of all key applications, functions and systems and that knowledge transfer is available between the vender and IT and IT and the business to ensure proper use and utilization.
12. IT Investment. TAG shall verify a formal process is in place to manage IT investments in projects and initiatives that includes costs, benefits, and prioritizations as well as a formal operating and capital budget process and management against these budgets.
13. IT Performance Management. TAG shall verify an effective IT performance monitoring process is in place that includes relevant performance measures, a systematic and timely reporting of performance, and prompt acting upon deviations.
14. Structure and Staffing. TAG will provide an onsite field technician(s) and verify that personnel have the competencies to fulfill their roles on the basis of education, training, and/or experience; that Organization has an appropriately deployed workforce to achieve organizational goals; and that defined IT competency requirements are maintained using qualifications and certifications where appropriate.

Services Provided to Forest Ridge

It is not anticipated that any information Services will be provided to Forest Ridge. Any Services provided will be requested by Corporation in writing, agreed to by TAG and provided at TAG's then hourly rate for such Services.

SCHEDULE 2.5.4

Legal/Compliance/Risk Management

Services provided to the Community (excluding the Forest Ridge HUD)

1. Litigation Management. Coordinate legal services, including the recommendation and use of outside counsel, in areas including, but not limited to, contracts, litigation, construction, land use, regulatory issues, human resources, governance, and resident's rights, subject to the rights reserved to the Board of Directors in Section 2.6. Use of outside counsel shall be at the discretion of TAG.

2. Ethics and Compliance Program. Develop and support an Ethics and Compliance Program that is modeled after the guideline promulgated by the Department of Health and Human Services, Office of the Inspector General. The Executive Director of each Campus shall be responsible for implementation and continued utilization of the compliance programs.
3. Governance Documents. Work with Corporation to maintain its governance documents including, but not limited to, the preparation of resolutions and other legal materials for meetings of Corporation's Board of Directors and Executive Committee, and Corporation's Charter and Bylaws.
4. Governance Policies. Work with Corporation's Board of Directors to develop charters for board committees, and educate board members on their fiduciary duty, Sarbanes/Oxley, Intermediate Sanctions and other applicable statutes governing board behavior and responsibility.
5. Collections. Supervise all legal actions or proceedings necessary to collect funds due Corporation, enforce the terms and conditions of contracts to which Corporation is a party, and defend Corporation against all suits and claims.
6. Insurance. Work with Corporation on its insurance program, coverage, and rates.
7. Employment Issues. Provide guidance to staff on day-to-day resident and employment issues which may arise and with respect to which it is consulted.
8. Residency Agreements. Review and revision of residency agreements on an as-needed basis.
9. Financing. TAG shall, at the request of Corporation, and for an additional fee to be negotiated at the time, participate in any tax-exempt bond or other financing for Corporation.

Forest Ridge

The Services set forth above in numbered items 1, 2, and 7 shall be provided to Forest Ridge. Any additional services provided will be requested by Corporation in writing, agreed to by TAG and provided at TAG's then hourly rate for such services.

SCHEDULE 2.5.5

Operations Support

1. Operational Oversight. Provide day-to-day operational oversight and direction to Corporation's management teams, helping them think and work as a system in order to improve quality, create operational efficiencies and be aligned with strategic goals.
2. Leadership Development. Assess the performance of senior management, provide support and coaching/mentoring, and conduct annual and periodic performance reviews.

3. Stakeholder Relations. Maintain and leverage key stakeholder relationships to benefit Corporation, including vendors, association groups, community leaders and Asbury board of directors.
4. Management Systems. Provide Corporation with key data that will enable management to make decisions based on relevant data and best practices.
5. Management Services. Ensure access and implementation of necessary resources required to fulfill the terms of the Agreement.

Forest Ridge

Operational Services are limited to those Services set forth above to be provided by the regional VP of Operations. Any additional Services provided will be requested by Corporation in writing, agreed to by TAG and provided at TAG's then hourly rate for such services.

SCHEDULE 2.5.6

Human Resources

Services provided to the Community

1. Employment Practices. Provide consultation and guidance to AP management teams regarding employment issues such as hiring, termination, disciplinary process, and expertise regarding HR issues such as employee relations, EEO, benefits, compensation, ADA, FMLA, salary offers for new hires (mostly management).
2. Employee Compensation and Benefit Plans. Design and manage pay grade system; negotiate contracts for all benefit plans including workers compensation; draft employee communications and coordinate open enrollment periods. Coordinate associate safety and wellness programs.
3. Payroll Management. Ensure timely and accurate payment of employee compensation, including off cycle paychecks; manage PTO accruals, 401K transmittals, employee garnishments, w-2 reconciliation and distribution; serve as super user for Ultipro payroll management systems.
- a) HR Information Technology Systems. Manage and provide guidance regarding HRIS, Payroll (Ultipro) and Timekeeping (Kronos) HR software system issues.
4. Performance Review Plan. Coordinate annual job performance review process and merit pay raise process.
5. Training and Development Programs. Review all training programs; provide assessment and recommendations on program development and implementation.

SCHEDULE 2.5.7

Governance and Strategic Planning

1. Governance Documents. Work with Corporation's staff to maintain Corporation's governance documents including, but not limited to, the preparation of resolutions and other legal materials for meetings of Corporation's Board of Directors and Executive Committee, and Corporation's Charter and Bylaws.
2. Governance Policies and Procedures. Develop and maintain governance policies and procedures as well as charters for board committees.
3. Compliance and Fiduciary Duty. Assist Board in meeting fiduciary duty and compliance with applicable law and regulations including, Sarbanes/Oxley, Intermediate Sanctions, and IRS requirements for not-for-profit entities.
4. Strategic Planning. Work with Corporation's Board of Directors on developing and implementing an strategic plan ensuring integration of industry best practices, trends and innovations.
5. Annual Retreat. Work with Board leadership in determining an appropriate agenda for the Board's annual retreat. Assist in arranging for outside presenters or facilitators in support of the agenda or any special focus deemed of value to the corporation. Work with Corporation's staff in planning and implementing meeting details.
6. Board Development. Assist in recruitment and orientation of new Board members.

Forest Ridge

It is not anticipated that TAG will provide any strategic planning or corporate strategy services to Forest Ridge. Any services provided will be requested by Corporation in writing, agreed to by TAG and provided at TAG's then hourly rate for such services.

SCHEDULE 2.5.8

Development and Fundraising

1. Provide consultation and recommendation to assist Corporation's fundraising efforts including policies and procedures, development of tactical plan for annual fundraising activities, capital campaigns, major and planned gifts, other special events, and donor outreach/communications.
2. Provision of Asbury Foundation benchmarking data on fundraising activity and results; assistance with launch of donor acknowledgement program.
3. Provide on-site support with major donor outreach meetings.

SCHEDULE 2.5.9

Asbury at Home

1. Supervision, Leadership, and Mentoring. Direct supervision of the Asbury at Home program Director/Executive Director. This includes one-on-one bi-weekly calls, as well as bi-weekly group calls to expose the Asbury at Home Director to a team of colleagues around the country operating similar Home Care programs on site at other CCRCs for the purpose of networking, best practice, and team building.
2. Budget Assistance. Support in preparing the Home Care budget including Home Care specific work papers that contain census, hours of service, and pay & bill rates that are the key components in preparing a Home Care budget. In addition, budget preparation meetings and analysis will be provided to support the development of a meaningful and realistic budget. Provide guidance and support in completing a comprehensive Rate and Service Comparison of competitors in the markets surrounding each of the Asbury Place CCRC's.
3. Site Visits. Site visits will be made four (4) times per year with the approval of Asbury Place's VP/Director of Operations. The purpose of the site visits includes: review operational performance, review of client records, review of client personnel files, review of scheduling and continuity of care, and participation in marketing events if desired.
4. Annual Business Meeting. Either during a site visit or at a separate meeting TAG's SVP of Home and Community-Based Services will facilitate a comprehensive meeting covering various topics that incorporate all aspects of the business operations. Examples of topics reviewed: Sales Training, Contact Management, Program Break-Even Analysis, Marketing Plans, Program Goals, and Financial Tool Kit/Resources.
5. Recruitment. Support is available in developing recruitment advertisement, screening tools, and interviewing key positions in the home care program.

SCHEDULE 3.4

Personnel

The following employees are exempted from the non-hire provision of Sections 3.4 and 3.5:

Bernie Bowman
Marge Shonnard
Sharon Gibson
Debbie O'Dell
Paulette York
Terry Sparks

Schedule 2.12

Corporation shall pay TAG its Reimbursable Travel Expenses. For purposes of this Agreement the term "Reimbursable Travel Expenses" shall have the meaning set forth below. TAG shall provide Corporation with an invoice and summary of TAG's Reimbursable Travel Expenses for each month during the term of this Agreement, commencing with the month in which the Effective Date of this Agreement falls. Invoices shall be due and payable no later than thirty (30) days from date the Corporation receives the invoice. TAG shall submit its invoices in a timely manner, but no later than sixty (60) days from when the reimbursable travel expenses were incurred.

Expense Reporting/Receipt Guidelines

1. All trips by TAG personnel to the Community shall be agreed to, in advance, by the Vice President of Operations, Tennessee or the Vice President of Business Development.
2. A clear description of the expenditure is required to ensure compliance with provisions of the Internal Revenue Code.
3. All expenses should have an appropriate back-up receipt for reimbursement.

Reimbursable Expenses

1. **Air Travel**
 - a. Reimbursement shall be based on lowest available coach fare for all associates. Flight arrangements must be made to purchase tickets 7-21 days in advance to obtain most economical fare.
 - b. Travel to and from airport terminals will be by the most appropriate (cost, availability and time factors evaluated) method. Sensitivity to most reasonable cost for size of party should be a factor.
2. **Automobile Travel**
 - a. Mileage is reimbursed at a rate mutually agreed to by the Chief Financial Officer for TAG and the Corporation.
 - b. Tolls incurred for business travel are reimbursable, but fines and citations are not reimbursable.
 - c. Parking fees are reimbursable when incurred in conjunction with reimbursable travel. The lowest parking fee available will be reimbursed.
 - d. Rental car -- reimbursement will be made for up to full size/standard vehicles. Your current car insurance provides adequate car insurance coverage and travelers need not purchase any optional coverage. **ALL OPTIONAL INSURANCE SHOULD BE DECLINED, INCLUDING ANY COLLISION DAMAGE INSURANCE.**
 - e. Traveler should decline the refuel option when renting a car and refill the gas tank just prior to returning the car to the rental agency.
 - f. When planning business trips, the cost of renting a car should be compared to the cost of taxis and airport shuttle to determine if a car reservation is justified.
3. **Lodging**
 - a. Reservations should be made with a corporate Credit Card.

- b. All efforts will be made to establish corporate rates at hotels; if travelling to an area where corporate rates have not been established the associate should stay under \$200/night
- c. Reimbursement for lodging is based on the hotel's rates for single room, standard accommodations.
- d. Lodging receipts must be submitted even when the lodging is pre-paid and there are no other expenses to be submitted.
- e. Housekeeping tips, generally \$1 or \$2 per night are also reimbursable.

4. **Meals**

- a. Associates are reimbursed for meal expenses incurred when overnight travel is required. TAG reimburses for lunch only for one-day travel. Individual meal expenses must be supported by a receipt. Reimbursement will not be made if a receipt is not attached. Tips should be included in this total.
- b. The daily maximum meal allowance is \$70.00 per associate, including tips, subject to certain limitations as indicated below. TAG will not reimburse for meals that would normally be eaten prior to departure from or after return to the office. For example, if the traveler leaves the office at 3 p.m., breakfast and lunch would be ineligible. If the traveler returns to the office 4 p.m., dinner would be ineligible. On the other hand, if the traveler arrives at the office late evening, then dinner would be allowed.
- c. If associate meal charges do not meet the daily maximum, the difference may not be used for any other purpose.

5. **Telephones**

- a. All business related calls are reimbursable.
- b. Avoid hotel surcharges for long distance calls – use calling card or cell phone.

6. **Tips/Gratuities**

- a. Meal tips should be no greater than 20% of meal cost, and should be included with meal cost on the expense report. Tips for bellhops and porters are permitted and should be reasonable i.e. \$1 per bag.

Non-Reimbursable Expenses

Associates will not be reimbursed for expenses of a personal nature incurred during business travel. Examples of such expenses are:

- Entertainment
- All expenses incurred by family members or non-associates
- Expenses related to resort areas, such as spa charges or clothing
- Shoe shine, haircuts, magazines, dry cleaning and personal items
- Child care and pet costs
- Lost tickets, fines, traffic/parking violations, or other expenses incurred as a result of an associate's negligence
- Video Movies
- Alcoholic Beverages
- Credit card annual fees (personal cards)
- All other charges or fees not specifically covered by this document

PROJECT MANAGEMENT AGREEMENT HEALTHCARE REPOSITIONING PROJECT

Project Management Agreement (the "PMA") by and between The Asbury Group, Inc. ("TAG"), a Delaware Corporation, with its principal place of business at 20030 Century Boulevard, Suite 300, Germantown, Maryland, 20874 and Asbury, Inc. ("Corporation"), a Tennessee not-for-profit corporation, with its principal place of business at 910 Wilder Chapel Lane, Maryville, Tennessee, 37804 (collectively TAG and the Corporation are the "Parties").

RECITALS

WHEREAS, TAG is engaged in the business of providing management, development, public relations, marketing, financial, and information technology services to existing and developing senior living providers; and

WHEREAS, Corporation currently owns and operates multiple residential and health service facilities for seniors in east Tennessee; and

WHEREAS, a master campus planning process was conducted for each of Corporation's communities; and

WHEREAS, under management of TAG, several phases of the master campus plan have been completed including major remodeling of common/amenity space (Kingsport-Baysmont), renovation/upgrade of apartment homes (Kingsport-Baysmont), addition of cottage home neighborhood (Kingsport-Baysmont), reconfiguration of campus roadway and major landscape upgrades (Maryville), addition of upscale St. Clair apartment homes (Maryville), expansion of SE corner cottage homes (Maryville), addition of community center and bistro (Maryville), and completion of the Johnson City skilled nursing facility; and

WHEREAS, the next phase of the plan is anticipated to involve a comprehensive repositioning of healthcare services at the Kingsport-Baysmont and Maryville campuses to include the new construction of a two-story long-term care household (Maryville), two-story short-term stay household (Maryville), two single-story assisted living memory support households (Maryville), conversion of two skilled nursing households (Kingsport-Baysmont), and new construction of a skilled nursing household, all as shown in the Executive Summary of the Integrated Pre-feasibility Analysis dated November 30, 2012 attached hereto as **Exhibit 1**, ("Plan"); however, Corporation may ultimately implement and seek financing for all or for only a reduced portion of the Plan or decide not to go forward in any manner with the Plan (hereinafter referred to as the "Project"); and

WHEREAS, Corporation wishes to retain TAG for the project management services associated with the Project; and

WHEREAS, TAG desires to provide the projects services associated with the Project;

NOW, THEREFORE, in consideration of the premises set forth herein, and for other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

I. ENGAGEMENT OF TAG

A. Engagement of TAG.

1. Corporation hereby engages TAG to provide general project management services, pre-construction management services, construction management services, marketing/public relations and financial services more specifically defined in *Section III* of this PMA (the "Services") in connection with the Project.

2. This PMA shall not be construed to create a joint venture, partnership, or other business relationship between the Parties hereto whereby one party may act on behalf of, represent or bind the other, except as may be otherwise specifically set forth in this PMA.

3. Corporation hereby represents and warrants that:

a. It is a not-for-profit corporation, duly incorporated, validly existing, and in good standing under the laws of the State of Tennessee, and has all requisite power to own its properties and to conduct its activities as they are now being, and as proposed to be, conducted.

b. Corporation has full power and authority to execute, deliver, and perform its obligations under this PMA and has taken all necessary action to authorize, execute, and deliver this PMA.

c. This PMA constitutes the legal, valid, and binding obligation of Corporation, enforceable in accordance with its terms, except as limited by general principles of equity and by bankruptcy, insolvency, reorganization, and other laws of general application to creditor's rights.

d. The execution of this PMA and the performance by Corporation of its obligations hereunder do not and will not violate the articles of incorporation or bylaws of Corporation or any indenture, mortgage, deed of trust, commitment, agreement, or other instrument to which Corporation is a party or by which Corporation is bound.

4. TAG hereby represents and warrants:

a. TAG is a Delaware corporation duly formed, validly existing, and in good standing under the laws of the State of Delaware.

b. TAG is duly authorized to do business in the State of Tennessee.

c. TAG has full power and authority to execute, deliver, and perform its obligations under this PMA and has taken all necessary action to authorize, execute, and deliver this PMA. TAG is familiar with and understands the requirements of the Project in

all its phases and is experienced in the administration and construction of building projects of the type contemplated by the Project. TAG has all the necessary skills, knowledge and experience required for the Project, and it will maintain throughout the term of this PMA sufficient personnel to provide the Services set forth herein within the timeframes contemplated hereby.

d. This PMA constitutes the legal, valid, and binding obligation of TAG, enforceable in accordance with its terms, except as limited by general principles of equity and by bankruptcy, insolvency, reorganization, and other laws of general application to creditor's rights.

e. The execution of this PMA and the performance by TAG of its obligations hereunder do not and will not violate the articles of incorporation or bylaws of TAG or any indenture, mortgage, deed of trust, commitment, agreement, or other instrument to which TAG is a party or by which TAG is bound.

f. **Bernie Bowman and Marjorie Shonnard** shall serve as primary representatives from TAG and shall be available at all reasonable times to meet to review development plans and activities with Corporation. **Bernie Bowman or Marjorie Shonnard** shall attend (either in person or via teleconference or video) all meetings scheduled by TAG. TAG's primary contacts for Asbury are **Andrew Joseph** for contract management, **Michael Reynolds** for construction management, **Rhonda Teranto** for finance, and **Suzie Moyer** for public relations/marketing. In the event that an individual named herein is no longer employed by TAG, TAG may substitute another individual as the primary contact for the affected area and shall provide notice to Corporation in accordance with this PMA. Individuals named in this agreement may be replaced with another qualified individual approved by Corporation in writing, which approval will not be unreasonably withheld.

5. Obligations of Corporation:

A. General

a. Corporation shall make decisions, provide approvals, or give comments in a timely and reasonable manner and will not unreasonably withhold or delay approvals requested by TAG or required in order for the development of the Project to remain on schedule.

b. Corporation shall execute such contracts, easements, deeds, affidavits, and other documents and legal instruments as may from time to time be appropriate and/or necessary in order to enable TAG to carry out its obligations under this PMA, all of which shall be executed by Corporation in proper form, by duly authorized signatories of Corporation, and promptly delivered by Corporation to TAG.

c. Corporation shall deliver to TAG, promptly upon the receipt thereof, copies of any and all notices and other information relating to the Project.

d. Corporation shall promptly pay all funds due to third parties in connection with the Project. TAG shall promptly provide to Corporation copies of any

invoices it receives from third parties so as to prevent any action by the third parties against Corporation for unpaid invoices.

e. Corporation shall designate a Project Committee, an ad hoc sub-committee of the Corporation's Board of Directors, which shall serve as the primary representative for Corporation in relation to the Project. TAG shall be provided with written notice of the individuals making up the Project Committee within 45 days of execution of the PMA and, thereafter, within 14 days of any changes to the Project Committee. TAG shall coordinate all communications to the Board primarily through the Project Committee and at regularly held meetings of the Board.

f. Notwithstanding anything stated in this PMA to the contrary, Corporation shall have no obligation to go forward with the Project should it decide not to do so.

B. TAG's Standard of Due Care.

For all purposes under this PMA, TAG shall be presumptively deemed and considered to have used due care in the performance of any duty or responsibility hereunder, provided that TAG has performed such duty or responsibility in a manner consistent in all material respects with reasonable and prudent business practices, project management practices, and construction management practices as generally accepted in the construction industry.

C. Conceptual Design and Development Plan.

TAG shall begin immediate work to prepare conceptual design and development plans for consideration by Corporation, including but not necessarily limited to preliminary design and renderings, site plan, phasing option, and budget estimates. The conceptual design and development plan shall provide Corporation with sufficient detail for Corporation to establish its Project which may, at the sole discretion of Corporation, be amended thereafter. The estimated timeline for completion of the conceptual design and development plans is six to eight months.

D. Project Schedule/Project Budget.

Within forty-five (45) days of Corporation's determination of the Project, TAG shall provide Asbury with a preliminary schedule and preliminary budget covering the contemplated pre-construction and construction of the Project, which shall be attached hereto as **Exhibit 2** and incorporated herein by this reference. Upon approval by Corporation, this preliminary schedule and budget shall serve as the framework for subsequent development of all detailed construction schedules and budgets. The Total Project Costs Budget shall be developed by TAG from the preliminary budget and presented to the Board of the Corporation for approval no later than sixty (60) days after approval by Corporation of the preliminary budget. Upon approval of the Total Project Costs Budget by the Corporation, it shall be attached hereto as **Exhibit 3** and shall be the governing budget for the Project. Time is of the essence of the Project, and TAG will carry out its duties and responsibilities as expeditiously as possible in accordance with the established schedules.

II. TERM

This PMA shall commence on July 1, 2014 and terminate upon achievement of Substantial Completion, defined below, of the Project if not terminated earlier in accordance with Section VI of the PMA. As used herein and throughout the PMA, Substantial Completion is defined as the stage in the progress of the Project when the Project is sufficiently complete so that certificates of occupancy have been issued by the relevant authorities and Corporation can fully occupy the Project in the manner of its intended use.

III. PROJECT MANAGEMENT SERVICES

A. General Project Management Services to be provided by TAG.

1. TAG shall serve as Corporation's representative throughout all phases of the Project from concept through Substantial Completion of the Project. TAG shall:

- a. Provide the Services required to professionally complete the Project in an expeditious and economical manner consistent with this PMA and the best interests of Corporation.
- b. Endeavor to develop, implement and maintain open communication and cooperation among the Professional Firms (defined below), Corporation and TAG so that the goals of the Project are clearly understood and potential problems resolved promptly.
- c. Complete the Project in accordance with the detailed schedules and the required date of Substantial Completion.
- d. Have no authority to modify any contractual obligations of Professional Firms, defined below, nor to agree to change orders to the Project of a material nature, without prior approval by Corporation. For purposes of this subsection A.1.d., the term "material" shall be defined as any change order that individually or collectively, with previously approved change orders, would exceed the Total Project Costs Budget or any change order that individually or collectively, with previously approved change orders, would result in a fundamental change in the design of the Project.

2. TAG and Corporation agree that the consulting, architectural, engineering, interior design, landscaping, and construction services (collectively the "Professional Firms") for the Project will be provided by qualified professional firms, acceptable to TAG and Corporation pursuant to separate contractual arrangements between Corporation and such Professional Firms. TAG shall:

- a. Provide advice and guidance to Corporation in the selection of consultants, architects, engineers, landscaping, architects, interior designers, etc.

- b. Establish and monitor the scope, quality and timeliness of work and performance of the Professional Firms to ensure compliance with applicable contracts, code requirements, and state and federal regulations and serve as liaison between the Professional Firms and Corporation.
- c. Assist and participate in the negotiation of contracts for services between Corporation and the Professional Firms providing services for the Project.
- d. Assume primary responsibility, in consultation with Corporation and Professional Firms, in the formation of the overall Project design, detailed Project schedules and detailed Project budget, all of which shall be considered part of this PMA.
- e. Coordinate all Professional Firms to maintain established timelines, deliverables, and integration with operations in accordance with the detailed schedules established for the Project.
- f. Ensure that the General Contractor prepares and assembles document packets for use in bidding subcontracts; reviews bids submitted and provides recommendations to the Board regarding same. Use its best efforts to obtain bids which are less than the final estimates.
- g. Familiarize itself with design and construction documents.

3. TAG shall maintain regular updates for Corporation's Board of Directors and ensure it has timely review and input into the Project. Additionally, TAG shall provide detailed written updates on a monthly basis to the Project Committee designated by the Board of Directors as its primary liaison for the Project. TAG shall also report to the Project Committee as soon as reasonably possible, any issue that may have a material impact on the Project.

B. Architect/Construction Management Services to be provided by TAG.

1. TAG shall work with Corporation in developing product facility requirements such as: final design and layout, number of units, configuration of common space, and scope/services of amenities.

2. TAG shall supervise and direct the work on the Project and monitor the performance of the Professional Firms providing services for the Project including; but not limited to:

- a. Obtaining, reviewing, and commenting upon design drawings and specifications and reviewing materials delivered to the site.
- b. Reviewing results of environmental and engineering tests.
- c. Attending construction meetings and monitoring budget and budget constraints.

- d. Selecting furniture, fixtures, and equipment.
 - e. Providing the Board with early warnings of cost overruns, delays, and other matters negatively impacting the Project.
 - f. Ensuring that the General Contractor coordinates trade contractors and suppliers and supervises site construction management services.
 - g. Regularly reviewing the work to determine compliance with the construction schedule, relevant construction documents, the overall Project plan and acceptable levels of quality.
 - h. Ensuring that the General Contractor and Architect prepare and maintain Project records, including process documents and daily logs.
 - i. Ensuring that the General Contractor schedules and conducts regular progress meetings with subcontractors to review matters such as construction progress, jobsite safety, budget compliance and other necessary information, and providing notes from such meetings to Corporation.
 - j. In consultation with Corporation, ensuring that the General Contractor and Architect promptly rejects any work on the Project which does not conform to the construction documents or which does not comply with applicable laws, building codes or other applicable regulations.
3. TAG shall review all requests for payment by third parties.
- a. TAG shall process payments to third parties in accordance with contract specifications.
 - b. TAG shall maintain and produce construction accounting financial statements.
 - c. TAG shall ensure that the General Contractor obtains lien releases from Professional Firms, other subcontractors, materialmen, suppliers and other third parties working on the Project. TAG shall obtain and retain copies of all lien releases.

C. Financial Services.

- 1. Pre-financing work
 - a. Attend and participate in development planning meetings with Corporation on repositioning

- b. Provide input at development planning meetings regarding cost and price feasibility associated with the Project. Evaluate the Project's overall feasibility in relation to changing project scopes
- c. Determine operating budget and integrate into existing projections

2. Financing

- a. Explore various financing options, advise Corporation regarding those options and the overall financial impact on the Corporation, and assist Corporation in obtaining the most advantageous and available Project financing
- b. Provide information for and write portions of documents necessary for financing, if/as applicable
- c. Prepare financial analysis for the underwriters, banks, investors, and other parties as necessary
- d. Hold and/or participate in investor calls for bond offerings
- e. Work with the attorneys and underwriters in crafting and negotiating financing documents and terms.

D. Marketing/Public Relations. TAG shall develop and oversee implementation of marketing/public relations plan to build awareness of the Project within the service region, which, by way of example, may include marketing/advertising strategies and collateral, event planning, including grand openings; press releases, and other efforts to build both internal and external interest in the Project.

IV. FEE FOR SERVICES

A. Fee. The fee for service provided under this PMA is 2.75% of the Total Project Costs Budget ("Fee") as set forth in **Exhibit 3**

B. The Fee shall be paid as follows:

.33% of the Total Project Costs Budget payable at completion of the design and development phase of the Project

.33% of the Total Project Costs Budget payable at issuance of trade contracts for the Project

.33% of the Total Project Costs Budget payable at Project financing

.5% of the Total Project Costs Budget payable at achievement of 33% completion of the construction phase of the Project

.5% of the Total Project Costs Budget payable at achievement of 66% completion of the construction phase of the Project

.76% of the Total Project Costs Budget payable upon Substantial Completion.

C. Payment of Third Party Development Expenses and Fees.

1. Reimbursement of Expenses. TAG shall submit monthly statements for reimbursement of expenses, such as travel (in accordance with Schedule 2.12 of the Management Services Agreement), payment of fees for licenses and permits, and payments, if any, to third parties. TAG shall submit a monthly invoice for reimbursement of expenses and Corporation shall pay such invoice within fifteen (15) days of receipt thereof.

2. Except as otherwise specified herein, the payment of Project expenses shall be the sole responsibility of Corporation and shall be paid or payable by Corporation from Corporation's funds, it being specifically understood that TAG shall not be required to make any advance for the account of Corporation, to pay any sum or to perform any duty or function hereunder, unless funds for the payment of such expense have been provided to TAG by Corporation.

3. In addition, Corporation shall pay for reimbursable expenses and reasonable travel and lodging expenses for TAG staff in accordance with Schedule 2.12 of the Management Services Agreement.

D. Late Payment, Partial Payment, and Payment in the Event of Termination and Recommencement of Project.

1. On a monthly basis, TAG will submit to Corporation a bill for the earned compensation due to third parties at such time plus reimbursable expenses. All such bills shall be paid in accordance with the applicable contracts.

2. Neither TAG nor Corporation may terminate the PMA, except as set forth in Article VI hereof. The foregoing notwithstanding, if Corporation decides not to proceed with the Project due to market conditions, the inability to obtain financing, or for any other reason it may have, Corporation may terminate the PMA. In such event, the termination shall be without liability to either party. TAG shall perform all applicable services up to the date of Termination and Corporation shall pay TAG only for all services performed by the individuals identified in Article I.A.4.f. based on an hourly rate of \$150 per hour and reimburse TAG for all expenses it has incurred as provided for in this PMA. The parties shall have no further obligation or liability to each other and this PMA shall be void and of no further effect.

V. DEFAULT

A. Default by the Corporation.

1. Failure of Corporation to pay any funds (fee or reimbursement) due to TAG more than 30 days after the funds are due shall constitute an automatic Event of Default unless Corporation's failure to pay is based on TAG's prior breach of the PMA. The Parties shall resolve the dispute pursuant to the provisions of Articles VII and VIII of the MSA.

2. Failure of Corporation to do or fail to do, or to take such action or fail to take such action as is required under this PMA shall be an Event of Default. By way of example, but not limitation, Corporation's failure to select, contract with, and pay third parties whose services are necessary for the successful completion of the Project, make any decision required by this PMA to be made by Corporation, or execute any reasonably required contract with a third party, the execution of which is necessary for the successful completion of this PMA shall be an Event of Default. In such event, TAG shall provide Corporation with a written notice of default, specifying the action or failure to act of Corporation creating the default. Corporation shall have ten (10) days from the date of the written notice of default to cure the default. Failure of Corporation to cure, or commence a good faith effort to cure if the default is not subject to cure within a ten (10) day period, the default in such ten (10) day period (the "Cure Period") shall constitute an Event of Default.

B. Default by TAG.

Failure of TAG to do or fail to do, or to take such action or fail to take such action as is required under this PMA shall constitute an Event of Default. In such event, Corporation shall provide TAG with a written notice of default, specifying the action or failure to act of TAG creating the default. TAG shall have ten (10) days from the date of the written notice of default to cure the default. Failure of TAG to cure, or commence a good faith effort to cure if the default is not subject to cure within a ten (10) day period, the default in such ten (10) day period (the "Cure Period") shall constitute an Event of Default.

VI. TERMINATION

A. In the event of an Event of Default by TAG, Corporation shall be entitled, at its option, upon thirty (30) days advance written notice to TAG, to terminate this PMA, set off against any fees owing to TAG the amount of damages sustained by Corporation as a result of the default by TAG, and seek all remedies available to it under applicable law.

B. In the event of an Event of Default by Corporation, TAG shall be entitled, at its option, upon thirty (30) days advance written notice to Corporation, to terminate this PMA.

C. In the event of termination by either Party, TAG shall:

1. be entitled to all fees earned up to and including the date of termination, as set forth herein, on the condition that it is not in default at the time.

2. surrender and deliver to Corporation all unearned funds, including any reserves held by TAG in connection with the Project, and other monies of Corporation on hand and in any bank account.

3. furnish all such information and take all such action as Corporation shall reasonably direct in order to effect an orderly and systematic termination of TAG's duties and activities hereunder. Unless Corporation has terminated this PMA as a result of an Event of Default by TAG, TAG shall be paid at the hourly rate of One Hundred Fifty (\$150.00) per hour for all time of all the individuals identified in Article I.A.4.f. spent on actions directed by Corporation. All TAG employees shall keep track of their time and TAG shall provide Corporation with documentation for all charges pursuant to this provision.

4. TAG shall make available for inspection and reproduction, at Corporation's expense (unless Corporation has terminated the PMA as a result of an Event of Default by TAG, in which case, the expense of reproduction shall be borne by TAG) all records and documents related to the Project.

D. Termination of this PMA shall occur automatically upon termination of the Management Services Agreement between the parties unless both TAG and Corporation mutually agree in writing to maintain the PMA in effect.

E. Notwithstanding any other provision to the contrary, termination of this PMA without cause may occur upon ninety (90) days prior written notice by the terminating party to the non-terminating party.

F. Upon the termination of this PMA and the completion of the items set forth herein, the Parties shall have no further obligation or liability one to the other under this PMA, except for obligations which accrued prior to termination and remain outstanding, it being understood and agreed, however, that termination shall not relieve either Corporation or TAG from liabilities or claims occurring and arising up to and including the date of termination. It is further understood and agreed that the termination of this PMA does not affect or terminate any other agreement, including but not limited to the Management Services Agreement, which may be in effect between the Parties.


VI. GENERAL PROVISIONS


Section X. of the Management Services Agreement is hereby incorporated by reference into this PMA.

{Signatures Appear on the Following Page}

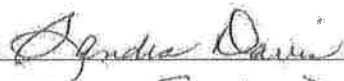
IN WITNESS THEREOF, the Parties hereto have caused these presents to be duly executed.

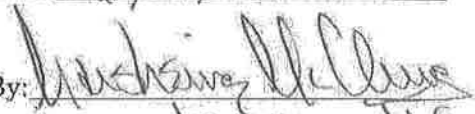
THE ASBURY GROUP, INC.

By: 
Printed Name: Douglas Leiding
Title: President
Date: 6/27/2014

By: 
Printed Name: Andrew H. Joseph
Title: Secretary
Date: 6/27/2014

ASBURY, INC.

By: 
Printed Name: Sandra Davis
Title: Board Chair
Date: 6/27/2014

By: 
Printed Name: MARSHENE MCCLURE
Title: BOARD SECRETARY
Date: 6-27-14

Attachment A.6

Deed to Land

DEED OF CORRECTION

THIS INDENTURE, Made and entered into this 14th day of January, 1959, by and between KENNETH E. EDDS and wife, CHRISTINE M. EDDS, of Blount County, Tennessee, Parties of the First Part, and HOLSTON METHODIST HOME FOR THE RETIRED, a corporation organized and existing under and by virtue of the laws of the State of Tennessee, Party of the Second Part,

WITNESSETH: WHEREAS, by Warranty Deed dated August 25, 1956, recorded in Book of Deeds Vol. 197, Page 227 in the office of the Register of Deeds for Blount County, Tennessee, the Parties of the First Part conveyed to the Party of the Second Part the hereinafter described tract of land, and

WHEREAS, in said Warranty Deed dated August 25, 1956, the corporate name of the Party of the Second Part was erroneously shown as "Holston Conference Home for the Retired, Inc.", and

WHEREAS, it is the desire of the parties that this Deed of Correction be made and placed of record in order that the corporate name of the Party of the Second Part may be correctly shown;

229/290

NOW, THEREFORE, for and in consideration of the premises and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the Parties of the First Part have granted, bargained, sold and conveyed and do hereby grant, bargain, sell and convey unto the Party of the Second Part the following described premises situated in the Ninth Civil District of Blount County, Tennessee, and being more particularly described as follows:

BEGINNING at a point in the center of the present Maryville-Sevierville Road, on the east side of the intersection of the Wilder Church Road; thence (1) with the center of the present Maryville-Sevierville Road south 88 deg. 30 min. east 366 feet, corner to the lands conveyed to Homer A. Goddard and H. P. Byerley on March 27, 1948; thence (2) with the center of the present Maryville-Sevierville Road north 89 deg. 30 min. east 100 feet; thence (3) with the center of the present Maryville-Sevierville Road, north 83 deg. East 100 feet; thence (4) with the center of the present Maryville-Sevierville Road north 80 deg. east 700 feet; thence (5) with the center of the present Maryville-Sevierville Road, north 77 deg. 30 min. East 137 feet, corner to the lands conveyed to Homer A. Goddard and H. P. Byerley, and corner to the lands conveyed to Luther Teffeteller and Jake Teffeteller on March 27, 1948; thence (6) with the center of the present Maryville-Sevierville Road, north 74 deg. 30 min. east 98 feet; thence (7) with the center of the present Maryville-Sevierville Road north 67 deg. east 126 feet. to a point in the center of the present Maryville-Sevierville Road, corner to Frank Everett and corner to the lands conveyed to Luther Teffeteller and Jake Teffeteller; thence (8) with the

line of Frank Everett south 25 deg. 15 min. east 533 feet to a post; thence (9) with the line of Frank Everett south 29 deg. 30 min. east 1042 feet to a post, corner to Frank Everett on the north side of the Old Maryville-Walland Railroad; thence (10) with the north side of the Old Maryville-Walland Railroad south 74 deg. 45 min. west 908 feet to a stake on the northeast side of the Wilder Church Road; thence (11) with the northeast side of the Wilder Church Road north 54 deg. west 1128 feet to a post, corner to Wilder Church lot; thence (12) with the Wilder Church lot line north 30 deg. east 180 feet to a post; thence (13) with the Wilder Church lot line north 53 deg. 30 min. west 248 feet to a rock; thence (14) with the Wilder Church lot line in part south 50 deg. 30 minutes west 324 feet to a stake on the northeast side of the Wilder Church Road; thence (15) with the Northeast side of the Wilder Church Road north 17 deg. 30 min. west 625 feet to the beginning, containing 46.60 acres, more or less and

BEING the same property conveyed to parties of the first part by Richard R. Eslinger and wife, Isophene Eslinger, by deed dated July 28, 1948 and recorded in Deed Book 160, at Page 513 of the Register's office for Blount County, Tennessee;

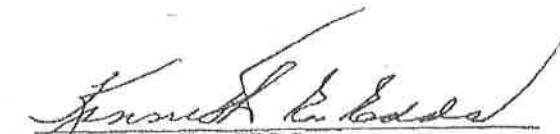
THIS CONVEYANCE is made subject to an easement for water line purposes granted to the City of Maryville by the Parties of the First Part, said easement being dated January 27, 1955, and being of record in Misc. Vol. 13, Page 377 in the office of the Register of Deeds for Blount County, Tennessee;

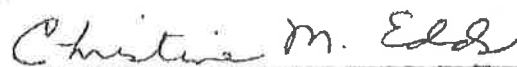
with the hereditaments and appurtenances thereto appertaining, hereby releasing all claims to homestead and dower therein.

TO HAVE AND TO HOLD said premises to the Party of the Second Part, its successors and assigns forever.

The Parties of the First Part, for themselves and for their heirs, executors and administrators do hereby covenant with the Party of the Second Part, its successors and assigns that, as of August 25, 1956, they were lawfully seized in fee simple of the premises above conveyed and had full power, authority and right to convey the same; that, as of said date, said premises were free from all encumbrances except the above-mentioned water line easement, and that they will forever warrant and defend said premises and the title thereto against the lawful claims of all persons whomsoever.

IN WITNESS WHEREOF, the Parties of the First Part have hereunto subscribed their signatures the day and year first above written.


KENNETH E. EDDS


CHRISTINE M. EDDS

STATE OF TENNESSEE

COUNTY OF Bloount

Personally appeared before me, Roy D. Crawford,
a Notary Public in and for the State and County aforesaid,
the within named bargainors, Kenneth E. Edds and wife, Christine M. Edds, with whom I am personally acquainted and who

acknowledged that they executed the foregoing instrument
for the purposes therein expressed.

Witness my signature and official seal at office
this 14th day of January, 1959.



Robert D. Crawford
Notary Public

My commission expires: Jan. 14, 1961

Received for record the 15 day of Jan 1959 at 10⁴⁵ o'clock, A.M.

Mildred M. Watson
REGISTER OF DEEDS

46.00 CASH

197/227

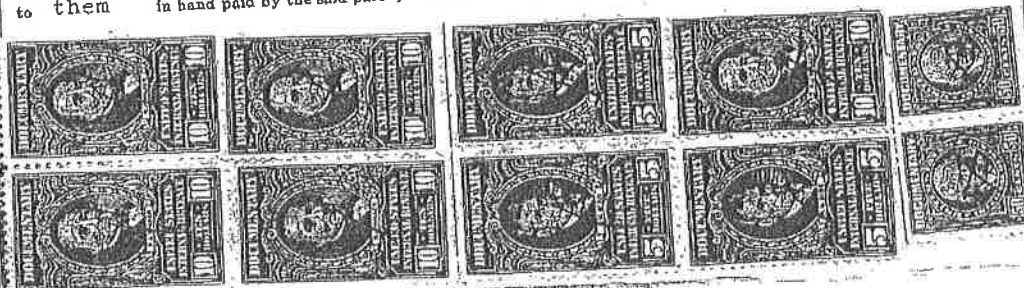
EAST TENNESSEE WARRANTY DEED.

WARRANTY DEED

This Indenture, Made this 25th day of August, A.D. 1956, between
KENNETH E. EDDS and wife, CHRISTINE M. EDDS,

of Blount County, in the State of Tennessee of the first part, and
HOLSTON CONFERENCE HOME FOR THE RETIRED, INC., a Corporation,

of Blount County, Tennessee of the second part,
Witnesseth: That the said parties of the first part, for and in consideration of the sum of
One (\$1.00) Dollar and other good and valuable considerations
to them in hand paid by the said part Y of the second part, the receipt of which is hereby acknowledged,



----- and to secure the payment of said note a specific lien is hereby retained on the property here conveyed -----
have granted, bargained, sold, and conveyed, and do hereby grant, bargain, sell, and convey unto the said
party of the second part, the following described premises, to wit, situate in District No. 9 of Blount County
Tennessee, and more particularly described as follows:
BEGINNING at a point in the center of the present Maryville-Sevierville Road, on the east side of the intersection of the Wilder Church Road; thence (1) with the center of the present Maryville-Sevierville Road south 88 deg. 30 min. east 366 feet, corner to the lands conveyed to Homer A. Goddard and H. P. Byerley on March 27, 1948; thence (2) with the center of the present Maryville-Sevierville Road north 89 deg. 30 min. east 100 feet; thence (3) with the center of the present Maryville-Sevierville Road, north 83 deg. East 100 feet; thence (4) with the center of the present Maryville-Sevierville Road north 80 deg. east 700 feet; thence (5) with the center of the present Maryville-Sevierville Road, north 77 deg. 30 min. East 137 feet, corner to the lands conveyed to Homer A. Goddard and H. P. Byerley, and corner to the lands conveyed to Luther Teffeteller and Jake Teffeteller on March 27, 1948; thence (6) with the center of the present Maryville-Sevierville Road, north 74 deg. 30 min. east 98 feet; thence (7) with the center of the present Maryville-Sevierville Road north 67 deg. east 126 feet, to a point in the center of the present Maryville-Sevierville Road, corner to Frank Everett, and corner to the lands conveyed to Luther Teffeteller and Jake Teffeteller; thence (8) with the line of Frank Everett south 25 deg. 15 min. east 533 feet to a post; thence (9) with the line of Frank Everett south 29 deg. 30 min. east 1042 feet to a post, corner to Frank Everett on the north side of the Old Maryville-Walland Railroad; thence (10) with the north side of the old Maryville-Walland Railroad south 74 deg. 45 min. west 908 feet to a stake on the northeast side of the Wilder Church Road; thence (11) with the northeast side of the Wilder Church Road north 54 deg. west 1128 feet to a post, corner to Wilder Church lot; thence (12) with the Wilder Church lot line north 30 deg. east 180 feet to a post; thence (13) with the Wilder Church lot line north 53 deg. 30 min. west 248 feet to a rock; thence (14) with the Wilder Church lot line in part south 50 deg. 30 minutes west 324 feet to a stake on the northeast side

STATE OF Tennessee } ss.
Blount County.

Personally appeared before me, Roy D. Crawford, a Notary Public in and for said County, the within named bargainors
Kenneth E. Edds and wife, Christine M. Edds,

with whom I am personally acquainted, and who acknowledged that t he y executed the within instrument for the purposes therein contained.

Witness my hand and official seal at office this 31st day of August, A.D. 1956.
My Commission Expires Jan. 14, 1957, Notary Public.

STATE OF Tennessee } ss.
County.

Personally appeared before me, a Notary Public in and for said County, the within named bargainors,

with whom I am personally acquainted, and who acknowledged that he executed the within instrument for the purposes therein contained. And, wife of the said, having appeared before me privately and apart from her husband, the said, acknowledged the execution of the said Deed to have been done by her freely, voluntarily, and understandingly, without compulsion or constraint from her said husband and for the purposes therein expressed.

Witness my hand and official seal at office this day of, A.D. 19.
My Commission Expires, 19, Notary Public.

STATE OF Tennessee } ss.
County.

Personally appeared before me, County aforesaid, a Notary Public in and for and, subscribing witnesses to the within Deed who, being first sworn, deposed and said that they are acquainted with the bargainor, and that he acknowledged the same in their presence to be act and deed, upon the day it bears date.

Witness my hand and official seal at office this day of, A.D. 19.
My Commission Expires, 19, Notary Public.

Received for record the 1 day of Sept 1956 at 11³⁰ o'clock, A.M.

Mildred M. Watson
REGISTER OF DEEDS

of the Wilder Church Road; thence (15) with the Northeast side of the Wilder Church Road north 17 deg. 30 min. west 625 feet to the beginning, containing 48.60 acres, more or less; and

BEING the same property conveyed to parties of the first part by Richard R. Eslinger and wife, Isophene Eslinger, by deed dated July 28, 1948 and recorded in Deed Book 160, at Page 513 of the Register's Office for Blount County, Tennessee.

THE SAID PARTIES OF THE FIRST PART reserve possession of the premises herein conveyed until October ~~1st~~, 1956 and reserve possession of the residence and all other buildings on said property and the grounds immediately surrounding such buildings until December ~~31st~~, 1956.

THIS CONVEYANCE is made subject to an easement for water line purposes granted to the City of Maryville by the said parties of the first part, said easement being dated January 27, 1955 and which is of record in Misc. Vol. 13, at Page 377 in the Register's Office for Blount County, Tennessee.

with the hereditaments and appurtenances thereto appertaining, hereby releasing all claim to homestead and dower therein;

To Have and to Hold the said premises to the said part Y of the second part, its successors - heirs and assigns, forever.
And the said parties of the first part, for themselves and for their heirs, executors, and administrators, do hereby covenant with the said part Y of the second part, its - heirs and assigns, that they are lawfully seized in fee-simple of the premises above conveyed, and have full power, authority, and right to convey the same; that said premises are free from all encumbrances except the above

mentioned water line easement,

and that they will forever warrant and defend the said premises and the title thereto against the lawful claims of all persons whomsoever.

In Witness Whereof the said parties of the first part have hereunto set their hand S and seal S

INDEXED
WARRANTY DEED

KENNETH E. EDDS, ET UX

TO
HOLSTON CONFERENCE HOME FOR
THE RETIRED, INC., a corporation

STATE OF TENNESSEE

Blount COUNTY,

Register's Office

Received for record this 11th day of Sept 1956

A.D. 1956

at 11³⁰ o'clock AM, Noted in Note Book

of Deeds, page 171 and recorded in Book

of Deeds, Vol. 197, page 227

Fee paid, \$ 25

Witness my hand,

Michael M. Marshall

State Tax \$90.00

Clerk's Fee 50

Total \$90.50

Paid this _____ day of _____

19____ I hereby certify that the consideration

has on the within deed has been Paid

Witness my hand this _____ County Court Clerk.

SEP 1 1956

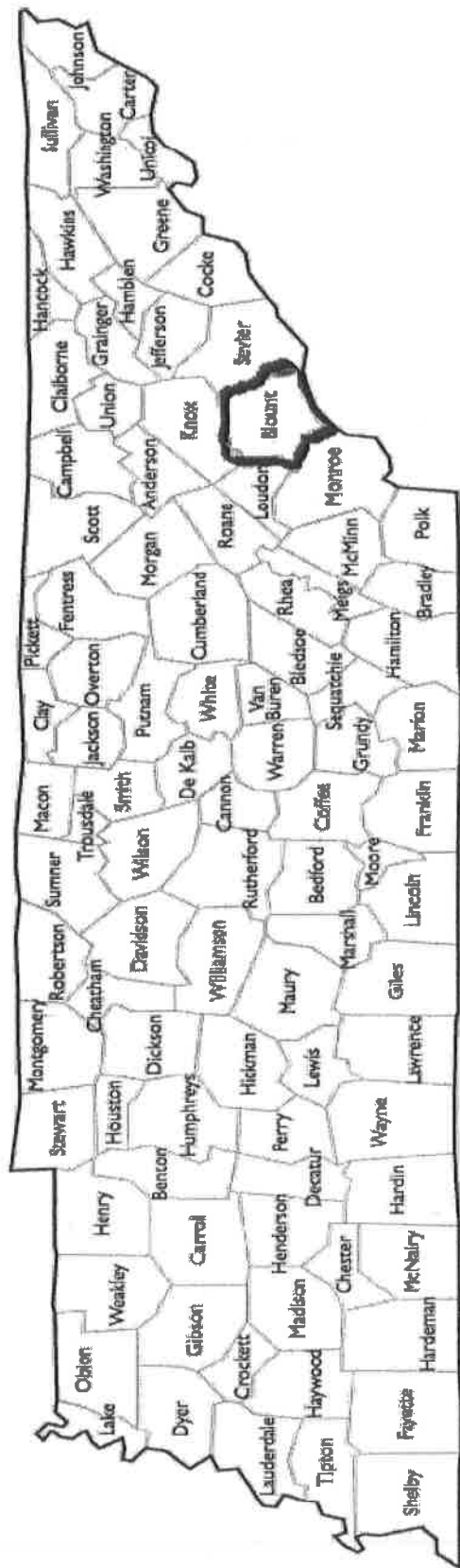
JOEL L. MARSHALL, Clerk

COUNTERSIGNED
OSCAR JEFFRIES
TAX ASSESSOR

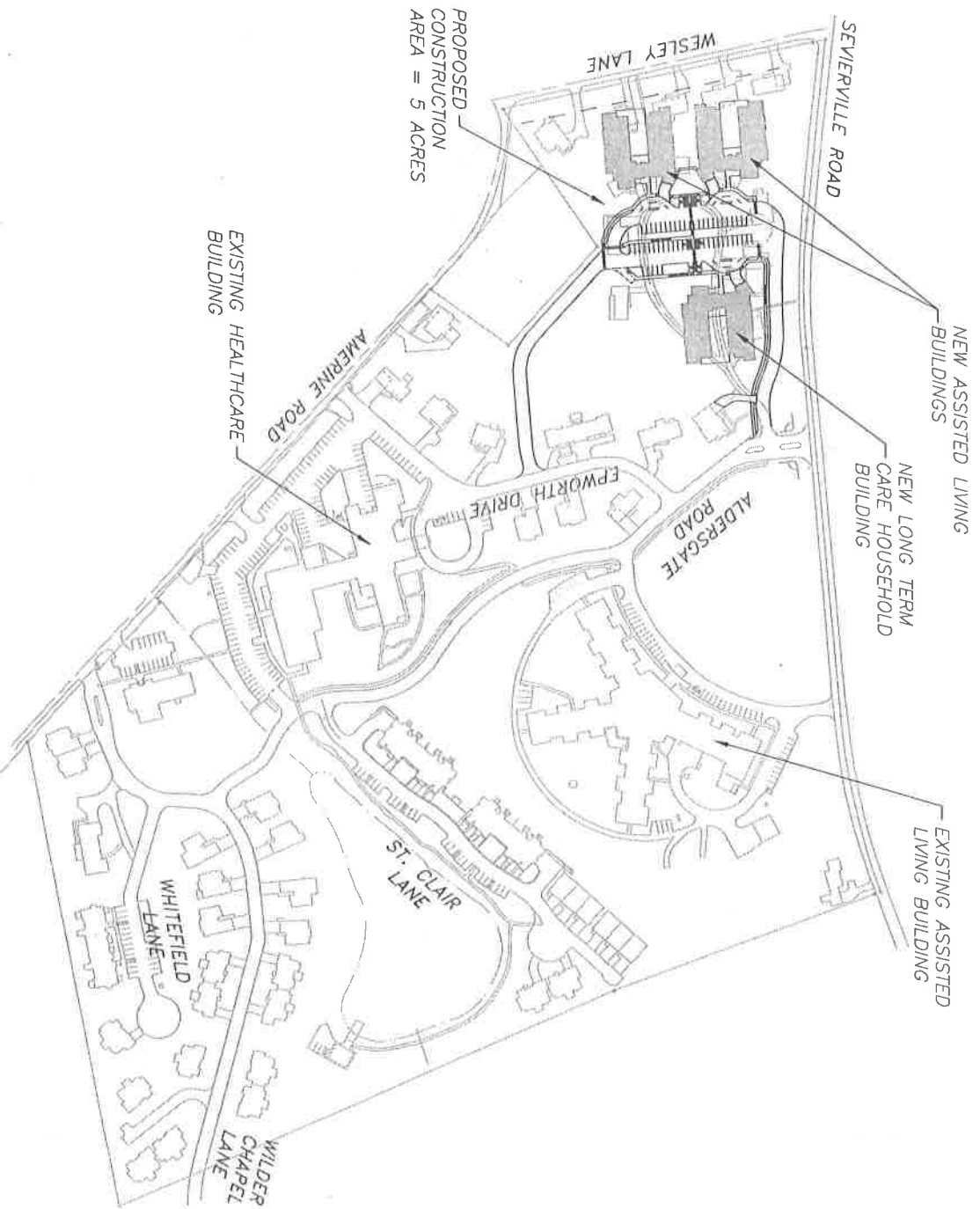
SEP - 1 1956

Section C: General Criteria for Certificate of Need – Need.3

Service Area Map



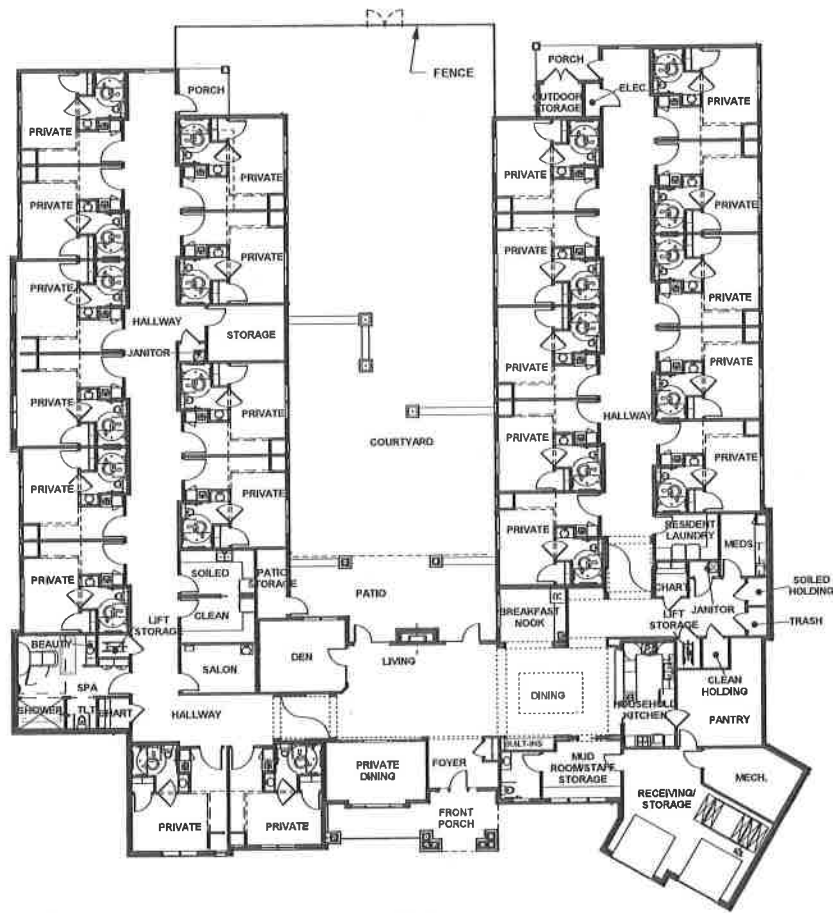
Attachment B.III.A.
Plot Plan



Asbury Place at Maryville

Attachment B.IV.

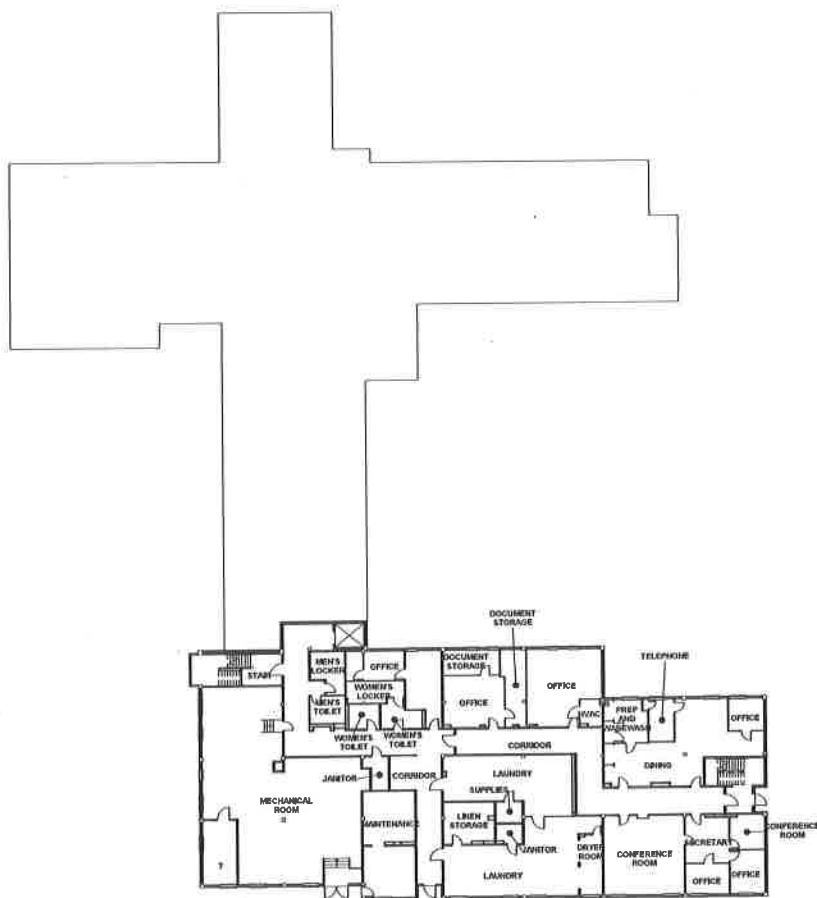
Floor Plans



Asbury Place Maryville: Skilled Nursing - LTC (22 PRIVATE ROOMS)



8-4-15
action pact
design



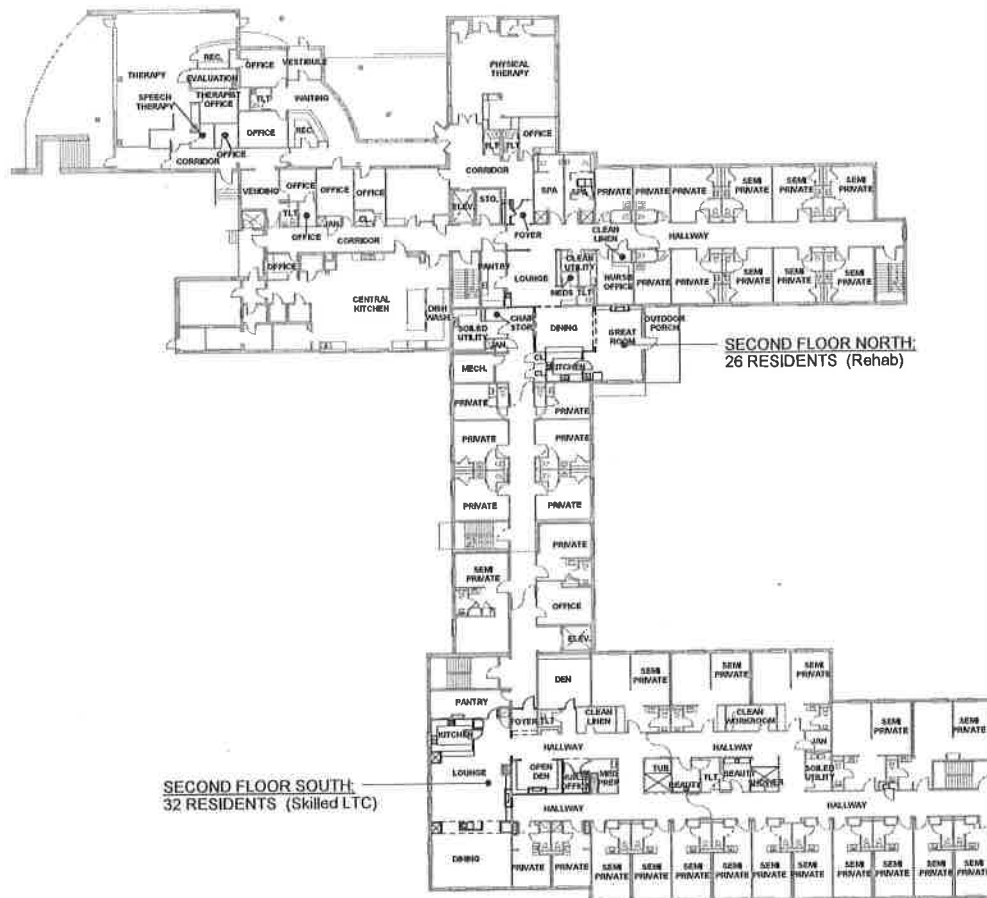
Asbury - Maryville H.C.

Lower Level

8-4-15



action pact
design



Asbury - Maryville H.C.

Second Floor



action pact
design

8-4-15



Section C: Economic Feasibility - 1
Letter Supporting Estimated Construction Costs



August 13, 2015

Heath Services and Development Agency
Andrew Jackson Building
500 Deadrick Street, Suite 850
Nashville, TN 37243

Re: Certificate of Need Application
Asbury Place at Maryville
170 Skilled Beds
Maryville, TN

To Whom It May Concern:

I represent Action Pact Design, LLC, an architecture firm located in Manhattan, KS. Our firm has been retained by Asbury Place to provide planning, design and contract administration services for the renovation of their retirement community in Maryville, TN.

The preliminary design and estimate has been complete. The \$5.54 million construction cost for the new construction of 22 skilled beds along with the renovation of the existing health care center to house 159 skilled beds seems reasonable based on my experience.

Sincerely,

A handwritten signature in dark ink, appearing to read "T Anderson", followed by a long horizontal line extending to the right.

Tracy Anderson, AIA

Section C: Economic Feasibility - 2
Documentation from Bond Underwriter



4801 Cox Road
Suite 103
Glen Allen, Virginia 23060
Phone: 804-793-8490
Fax: 804-290-4339
tbrewer@ziegler.com
www.ziegler.com

TOMMY BREWER
MANAGING DIRECTOR
SENIOR LIVING FINANCE

August 11, 2015

Ms. Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
502 Deaderick Street, 9th Floor
Nashville, TN 37242

RE: Financing Letter for Certificate of Need Application for proposed renovations and expansion at Asbury Place Maryville and Kingsport campuses

Dear Ms. Hill:

I am writing in regards to my recent discussions with Marjorie Shonnard, COO of The Asbury Group concerning capital financing for the renovations, construction, equipment and furniture related to the capital costs for the proposed renovations and expansion at Asbury Place Maryville and Kingsport campuses.

Ms. Shonnard has indicated that the estimated total capital cost to be incurred by Maryville for the components of the project that are subject to Certificate of Need review is \$8,200,000 and that the estimate total capital cost to be incurred by Kingsport is \$7,900,000. These project capital cost amounts will be financed by an up to 35 year loan. Ms. Shonnard has asked me to provide this letter so that it can be included in the application for the Certificate of Need.

I have had the pleasure to have assisted Asbury with their capital financing needs for the past 10 years and I am very familiar with the financial status of Asbury Place (including both Maryville and Kingsport facilities). We have reviewed the current financial position of the organizations and are prepared to work with Asbury Place to obtain financing to fund the cost associated with the projects.

Based on a review of Ms. Shonnard's request for financing, Ziegler believes Asbury Place will be able to obtain financing with the attributes briefly described below:

Borrower:	Asbury Place
Purpose:	Renovations, Construction, Architect & Engineering Fees, Furniture and Equipment and Project-Related Capital Costs
Amount:	\$16,100,000
Interest Rate:	Rate would be priced at market conditions at the time of closing
Estimated Range:	Based on current rates, a reasonable range would be 4% to 7%

Term: Up to 35 years
Collateral: Facility and Equipment
Fees: Range from 1.5% to 3.0% of the loan
Guarantors: Asbury Place
Supporting documents: Normal underwriting documentation and normal loan documentation

This letter is an expression of our belief that Asbury Place would be able to secure financing at or similar to the arrangements described above. Definite terms would be worked out after issuance of the Certificate of Need. Thank you for your consideration.

Sincerely,

A handwritten signature in dark ink, appearing to read "T.M. Brewer, Jr.", with a stylized flourish at the end.

Thomas M. Brewer, Jr.
Managing Director

Section C: Economic Feasibility - 4

Historical and Projected Data Chart

PROJECTED DATA CHART-Maryville SNF

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in April.

	<u>Year Ending 3/31/2018</u>	<u>Year Ending 3/31/2019</u>	<u>Year Ending 3/31/2020</u>
A. Utilization Data (Resident Days)	57,654	58,665	58,825
B. Revenue from Services to Patients			
1. Inpatient Services	18,589,713	19,392,457	19,932,811
2. Outpatient Services	321,867	335,493	344,568
3. Emergency Services	-	-	-
4. Other Operating Revenue (Specify)	46,346	49,746	50,990
Gross Operating Revenue	<u>\$ 18,957,926</u>	<u>\$ 19,777,697</u>	<u>\$ 20,328,369</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	1,483,948	1,584,197	1,658,981
2. Provision for Charity Care	32,504	32,178	32,178
3. Provisions for Bad Debt	292,610	304,627	312,592
Total Deductions	<u>\$ 1,809,062</u>	<u>\$ 1,921,003</u>	<u>\$ 2,003,751</u>
NET OPERATING REVENUE	<u>\$ 17,148,864</u>	<u>\$ 17,856,694</u>	<u>\$ 18,324,618</u>
D. Operating Expenses			
1. Salaries and Wages	\$ 5,869,779	\$ 6,005,579	\$ 6,155,718
2. Physician's Salaries and Wages	\$ -	\$ -	\$ -
3. Supplies	\$ 1,191,413	\$ 1,260,479	\$ 1,294,196
4. Taxes	\$ 638,352	\$ 638,352	\$ 638,352
5. Depreciation	\$ 1,519,403	\$ 1,538,767	\$ 1,558,132
6. Rent	\$ -	\$ -	\$ -
7. Interest, other than Capital	\$ -	\$ -	\$ -
8. Management Fees:	\$ -	\$ -	\$ -
a. Fees to Affiliates	\$ -	\$ -	\$ -
b. Fees to Non-Affiliates	\$ 1,062,418	\$ 1,123,359	\$ 1,153,269
9. Other Expenses (Contract Labor, Benefits, Other Exp.)	\$ 4,912,473	\$ 5,027,803	\$ 5,165,908
Total Operating Expenses	<u>\$ 15,193,838</u>	<u>\$ 15,594,339</u>	<u>\$ 15,965,575</u>
E. Other Revenue (Expenses) – Net (Specify)	\$ -	\$ -	\$ -
NET OPERATING INCOME (LOSS)	<u>\$ 1,955,026</u>	<u>\$ 2,262,355</u>	<u>\$ 2,359,043</u>
F. Capital Expenditures			
1. Retirement of Principal	\$ 232,719	\$ 244,896	\$ 257,073
2. Interest	\$ 1,194,263	\$ 1,181,712	\$ 1,171,739
Total Capital Expenditures	<u>\$ 1,426,982</u>	<u>\$ 1,426,608</u>	<u>\$ 1,428,812</u>
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	<u>\$ 528,045</u>	<u>\$ 835,747</u>	<u>\$ 930,231</u>

HISTORICAL DATA CHART- Maryville SNF

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in April.

	Year Ending 3/31/2012	Year Ending 3/31/2013	Year Ending 3/31/2014
A. Utilization Data (Resident Days)	14,481	20,208	19,532
B. Revenue from Services to Patients			
1. Inpatient Services	\$ 13,073,942	\$ 15,239,593	\$ 16,316,563
2. Outpatient Services	-	-	-
3. Emergency Services	-	-	-
4. Other Operating Revenue (Ancillary Services & Other Income)	2,526,065	3,105,146	3,006,222
Gross Operating Revenue	\$ 15,600,007	\$ 18,344,739	\$ 19,322,785
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	151,120	1,470,464	1,757,446
2. Provision for Charity Care	-	-	-
3. Provisions for Bad Debt	242,168	456,696	282,156
Total Deductions	\$ 393,288	\$ 1,927,160	\$ 2,039,602
NET OPERATING REVENUE	\$ 15,206,719	\$ 16,417,579	\$ 17,283,183
D. Operating Expenses			
1. Salaries and Wages	\$ 5,356,653	\$ 6,249,204	\$ 6,980,990
2. Physician's Salaries and Wages	-	-	-
3. Supplies	426,203	464,492	399,936
4. Taxes	402,425	369,165	402,725
5. Depreciation	564,314	832,228	1,035,654
6. Rent	-	-	-
7. Interest, other than Capital	-	-	-
8. Management Fees:			
a. Fees to Affiliates	-	-	-
b. Fees to Non-Affiliates	831,979	858,089	959,905
9. Other Expenses (Contract Labor, Wage Related Costs, Other Exp.)	7,455,243	8,195,049	8,117,721
Total Operating Expenses	\$ 15,036,817	\$ 16,968,227	\$ 17,896,931
E. Other Revenue (Expenses) – Net (Specify)	\$ -	\$ -	\$ -
NET OPERATING INCOME (LOSS)	\$ 169,902	\$ (550,648)	\$ (613,748)
F. Capital Expenditures			
1. Retirement of Principal	\$ 99,093	\$ 103,738	\$ 109,157
2. Interest	110,922	153,542	173,481
Total Capital Expenditures	\$ 210,014	\$ 257,280	\$ 282,638
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	\$ (40,112)	\$ (807,928)	\$ (896,386)

Section C: Economic Feasibility – 10
Applicant's Balance Sheet and Income Statement

ASBURY, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
AND
ACCOMPANYING INFORMATION
YEARS ENDED MARCH 31, 2015 AND 2014

**ASBURY, INC. AND AFFILIATE
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YEARS ENDED MARCH 31, 2015 AND 2014**

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CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Asbury, Inc. and Affiliate
Maryville, Tennessee

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Asbury, Inc. and Affiliate, which comprise the consolidated statements of financial position as of March 31, 2015 and 2014, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Forest Ridge Manor, Inc., the affiliate, a wholly-owned subsidiary, which statements reflect total assets of \$3,085,660 and \$3,193,327 as of March 31, 2015 and 2014, respectively, and total support and revenues of \$116,213 and \$130,367, respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Forest Ridge Manor, Inc., is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Asbury, Inc. and Affiliate as of March 31, 2015 and 2014, and the results of their operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Charlotte, North Carolina
July 22, 2015

ASBURY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2015 AND 2014

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,950,140	\$ 9,553,074
Accounts Receivable, Net	2,281,493	2,244,032
Note Receivable	11,673	25,777
Prepaid Expenses and Other Current Assets	1,212,834	1,337,782
Current Portion of Assets Whose Use is Limited Under Bond Agreement	<u>1,028,559</u>	<u>1,012,523</u>
Total Current Assets	9,484,699	14,173,188
ASSETS WHOSE USE IS LIMITED, NET OF CURRENT PORTION		
Patient Trust Funds	59,302	151,137
Under Bond Agreements	6,706,636	1,377,677
By Donors - Endowment Funds	53,391	53,391
By Board - Workers' Compensation Fund	295,892	311,852
By Board - Other Designated Funds	<u>118,802</u>	<u>282,916</u>
Total Assets Whose Use is Limited, Net of Current Portion	7,234,023	2,176,973
INVESTMENTS	11,201,050	9,840,773
NOTE RECEIVABLE, NET OF CURRENT PORTION	-	549,533
PROPERTY AND EQUIPMENT		
Land	1,071,405	1,258,592
Land Improvements	1,735,106	1,630,450
Buildings	59,729,527	60,030,035
Equipment	10,538,272	10,939,764
Construction in Progress	<u>1,045,277</u>	<u>-</u>
	74,119,587	73,858,841
Less Accumulated Depreciation	<u>(26,878,521)</u>	<u>(25,639,635)</u>
Property and Equipment, Net	47,241,066	48,219,206
OTHER ASSETS		
Deferred Costs	<u>796,322</u>	<u>896,592</u>
Total Assets	<u><u>\$ 75,957,160</u></u>	<u><u>\$ 75,856,265</u></u>

See accompanying Notes to Consolidated Financial Statements.

	2015	2014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 2,611,020	\$ 2,339,544
Accrued Payroll Related Liabilities	848,599	980,510
Current Portion of Long-Term Debt	775,000	740,000
Current Portion of Capital Lease	6,322	-
Deferred Revenue - Deposits	643,809	465,753
Total Current Liabilities	<u>4,884,750</u>	<u>4,525,807</u>
LONG-TERM DEBT, NET OF CURRENT PORTION	21,411,960	23,385,650
CAPITAL LEASE, NET OF CURRENT PORTION	12,493	-
OTHER LIABILITIES		
Workers' Compensation Reserve	-	164,271
Refundable Admission Fees	19,669,544	17,170,264
Deferred Admission Fees, Net	3,514,215	3,476,346
Affordable Housing Program Grant Note	134,101	134,101
HUD Capital Advance	3,293,600	3,293,600
Total Other Liabilities	<u>26,611,460</u>	<u>24,238,582</u>
Total Liabilities	52,920,663	52,150,039
NET ASSETS		
Unrestricted	22,909,563	23,507,455
Temporarily Restricted	73,543	145,380
Permanently Restricted	53,391	53,391
Total Net Assets	<u>23,036,497</u>	<u>23,706,226</u>
 Total Liabilities and Net Assets	 <u>\$ 75,957,160</u>	 <u>\$ 75,856,265</u>

ASBURY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Net Resident Service Revenue	\$ 31,691,027	\$ 33,900,326
Other Operating Revenue	750,555	750,131
Net Assets Released from Restrictions	110,408	-
Total Operating Revenues	<u>32,551,990</u>	<u>34,650,457</u>
OPERATING EXPENSES		
Health Care Services	12,761,790	13,655,944
Social Services	534,803	553,984
Nutritional Services	4,041,235	4,236,050
Environmental Services	3,341,235	3,600,436
Administrative Services	5,143,445	5,433,578
Employee Benefits	2,741,890	2,889,814
Taxes and Insurance	2,094,489	1,726,358
Interest	693,011	772,005
Bad Debts	1,443,826	489,838
Depreciation and Amortization	2,295,665	2,490,699
Total Operating Expenses	<u>35,091,389</u>	<u>35,848,706</u>
OPERATING LOSS	(2,539,399)	(1,198,249)
OTHER INCOME		
Investment Income	425,197	507,811
Loss on Disposal of Property and Equipment	-	(605)
Gain on Sale of Johnson City Assets	1,330,014	-
Other Income (Loss)	<u>143,766</u>	<u>(1,954)</u>
DEFICIT OF REVENUES UNDER EXPENSES	(640,422)	(692,997)
Net Unrealized Gains on Investments	42,530	438,885
Decrease in Unrestricted Net Assets	<u>(597,892)</u>	<u>(254,112)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	38,571	42,648
Net Assets Released from Restrictions	<u>(110,408)</u>	<u>-</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(71,837)</u>	<u>42,648</u>
Decrease in Net Assets	(669,729)	(211,464)
Net Assets - Beginning of Year	<u>23,706,226</u>	<u>23,917,690</u>
NET ASSETS - END OF YEAR	<u><u>\$ 23,036,497</u></u>	<u><u>\$ 23,706,226</u></u>

See accompanying Notes to Consolidated Financial Statements.

ASBURY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (669,729)	\$ (211,464)
Adjustments to Reconcile Decrease in Net Assets to Net Increase in Cash Provided by Operating Activities:		
Net Unrealized Gains on Investments	(42,530)	(438,885)
Depreciation and Amortization	2,295,665	2,490,699
Bad Debt Expense	1,443,826	489,838
Amortization of Admission Fees	(491,057)	(444,195)
Loss on Disposal of Property and Equipment	-	605
Gain on the Sale of Johnson City Assets	(1,330,014)	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(1,481,287)	296,123
Note Receivable	563,637	9,969
Prepaid Expenses and Other Assets	124,948	(134,740)
Accounts Payable and Accrued Expenses	271,476	(460,962)
Other Liabilities	(296,182)	(226,354)
Net Cash Provided by Operating Activities	<u>388,753</u>	<u>1,370,634</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(5,071,042)	(4,213,299)
Proceeds from Sale of Johnson City Assets	5,210,889	-
Net Purchases of Investments and Assets Whose Use is Limited	<u>(6,390,833)</u>	<u>(3,132,279)</u>
Net Cash Used in Investing Activities	(6,250,986)	(7,345,578)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Admission Fees	4,132,712	6,407,595
Refunds of Admission Fees	(926,450)	(683,151)
Principal Payments of Long-Term Debt	(1,942,200)	(1,607,250)
Principal Payments on Capital Lease	(4,763)	-
Net Cash Provided by Financing Activities	<u>1,259,299</u>	<u>4,117,194</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,602,934)	(1,857,750)
Cash and Cash Equivalents - Beginning of Year	<u>9,553,074</u>	<u>11,410,824</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 4,950,140</u></u>	<u><u>\$ 9,553,074</u></u>
Supplemental Cash Flow Information:		
Property Acquired Through Capital Lease	<u><u>\$ 23,578</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Consolidated Financial Statements.

ASBURY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Operations

The accompanying consolidated financial statements include the accounts of Asbury, Inc. and Forest Ridge Manor, Inc. These entities are under common control and are collectively referred to herein as the "Organization" unless otherwise noted. All significant intercompany accounts and transactions have been eliminated. The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization was organized to provide elderly and handicapped persons housing and medical services. At March 31, 2015, the Organization operates facilities in two Tennessee communities (Maryville and Kingsport).

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

The Organization maintains cash balances at several financial institutions within its market area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). At times, deposits may exceed FDIC amounts.

Accounts Receivable

Accounts receivable from residents and third-party payors are recorded on the accrual basis in the period in which services are rendered. The Organization does not require collateral on accounts receivable. Accounts are charged to bad debt expense as they are determined to be uncollectible based upon a review of aging and collections. The Organization establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific residents, historical trends and other information. The allowance for estimated uncollectible accounts was approximately \$789,000 and \$533,000 at March 31, 2015 and 2014, respectively.

Investments

Investments are recorded at fair value based on quoted market prices. Donated investments are recorded at market value at the date of the gift, if applicable. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the operating indicator unless restricted. Unrealized gains and losses on investments are excluded from the operating indicator.

ASBURY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Whose Use is Limited

The Organization's Board of Directors has adopted a policy whereby certain cash and investments have been designated to fund remaining claims for a terminated self-insured workers' compensation plan and for other discretionary purposes. Cash and investments restricted under the Organization's bond agreements and custodial bank accounts used for residents' personal funds are also classified as assets whose use is limited.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value at the date of donation. The Organization capitalizes all assets over \$1,000 and depreciates them using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred, betterments are capitalized, and gains and losses from dispositions are included in revenues or expenses. Depreciation expense was approximately \$2,204,000 and \$2,343,000 for the years ended March 31, 2015 and 2014, respectively.

Deferred Costs

The following is a summary of deferred costs:

	Estimated Life	2015	2014
Deferred Financing Costs	Term of the Bond Issue	\$ 502,415	\$ 560,699
Deferred Marketing Costs	Life Expectancy of Initial Residents	293,907	335,893
		<u>\$ 796,322</u>	<u>\$ 896,592</u>

Deferred financing costs represent expenses incurred in connection with the issuance of debt and are deferred and amortized over the life of the related indebtedness using the straight-line method which approximates the effective interest method. Deferred financing costs are net of accumulated amortization of approximately \$321,000 and \$276,000 at March 31, 2015 and 2014, respectively.

Deferred marketing costs are associated with acquiring initial residential contracts and are deferred and amortized on a straight-line method over the estimated life expectancy of the initial residents. Amortization of deferred marketing commences with substantial occupancy or one year following completion of the related project.

ASBURY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

**NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

Refundable Admissions Fees and Deferred Admission Fees

Admission fees are paid by the resident upon entering into a continuing care contract in return for future services and the use of facilities. The Organization offers a Type B, 90% refundable admission fee plan for its cottages and apartments at its Maryville and Kingsport-Baysmont locations. The contract provides for 60 days of nursing home care without additional daily nursing home charges. Residents benefit from immediate access to assisted living and nursing home care. Entrance fees under this plan are refundable upon contract termination and re-occupancy of the unit. The fees are recorded as refundable admission fees and are not amortized.

The Kingsport-Baysmont location also offers a standard admission fee plan for its apartments for which the refundable portion decreases two percent over a 50-month period. Although the Organization no longer charges admission fees for residents of assisted living, admission fees charged in prior years were recorded as deferred admission fees and are amortized to income over the estimated remaining life expectancy of the resident. A portion of the fees are refundable if the resident vacates the facility within 100 months.

At March 31, 2015 and 2014, the Organization held deposits related to an expansion project at the Maryville location of approximately \$606,000 and \$117,000, respectively.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Resident Service Revenue

Resident service revenue is reported at the estimated net realizable amounts to be collected from residents, third-party payors, and others for services provided. The provision for bad debts is reported as an operating expense.

Revenue under third-party payor agreements is subject to audit, investigative review, and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and final settlements are reported in the statements of operations and changes in net assets in the year of settlement.

ASBURY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

**NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

Charity Care

The Organization has a charity care policy to identify residents who meet certain criteria to provide care without charge or at amounts less than its established rates. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since the Organization does not charge the residents for services provided, estimated charges for charity care are not included in net resident service revenue.

The Organization has estimated its direct and indirect costs of providing charity care under its charity care policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the total operating costs to total operating revenue. The cost-to-charge ratio is applied to the charges foregone to calculate the estimated direct and indirect cost of providing charity care. Using this methodology, the Organization has estimated the costs for services under the Organization's charity care policy to be approximately \$81,000 and \$83,000 for the years ended March 31, 2015 and 2014, respectively.

The Organization received approximately \$43,000 and \$23,000 to subsidize the costs of providing charity care under its charity care policy for the years ended March 31, 2015 and 2014, respectively.

Contributions

Contributions are considered available for unrestricted use unless specifically restricted by donors. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. When a donor restriction expires in a subsequent fiscal year, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted. Interest earned on the temporary investment of restricted contributions is reported as unrestricted support.

Gifts of property and equipment are reported as unrestricted support and are excluded from the operating indicator, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated long-lived assets are placed in service.

**ASBURY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014**

**NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

Income Taxes

Asbury, Inc. and Forest Ridge Manor, Inc. are not-for-profit organizations as described under Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from Federal income taxes.

The income tax returns for Asbury, Inc. and Forest Ridge Manor, Inc. are subject to review and examination by Federal and state authorities. Asbury, Inc. and Forest Ridge Manor, Inc. are not aware of any activities that would jeopardize their tax-exempt status.

The Organization follows guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The standard has had no impact on the Organization's financial statements.

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

ASBURY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

**NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

Fair Value of Financial Instruments (Continued)

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. The Organization did not have any assets or liabilities that are valued using Level 2 or Level 3 inputs.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial statements at fair value. The Organization may elect to measure newly acquired financial instruments at fair value in the future.

Operating Indicator

The statements of operations and changes in net assets include an operating indicator identified as the excess (deficit) of revenues over expenses. Changes in unrestricted net assets, which are excluded from the operating indicator consistent with industry practice, include unrealized gains and losses on investments other than trading securities, unrealized gains and losses on derivatives, restricted contributions, contributions of long-lived capital assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), discontinued operations and extraordinary losses.

Reclassifications

Certain amounts in the 2014 consolidated financial statements have been reclassified to conform to the 2015 presentation with no effect on previously reported net assets, operating income, or deficit of revenues under expenses.

Subsequent Events

The Organization has evaluated subsequent events through July 22, 2015, the date the consolidated financial statements were available for issuance.

ASBURY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 2 NET RESIDENT SERVICE REVENUE

The Organization renders services to patients under contractual arrangements with the Medicare and Medicaid programs. Reimbursement for services under these arrangements is based on prospectively determined rates. Contractual adjustments and discounts are recorded as the services are rendered to reflect the difference between the Organization's established rates and the amounts received under these arrangements.

The Medicare and Medicaid programs each accounted for approximately 20% of 2015 net resident service revenues (15% and 29%, respectively, during 2014). Related accounts receivable as of March 31, 2015 from Medicare and Medicaid represent approximately 49% and 18%, respectively, of net accounts receivable (49% and 27%, respectively, as of March 31, 2014). Amounts earned under these programs are subject to review and final determination by various program intermediaries and other appropriate governmental authorities or their agents. Laws and regulations governing these programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. In the opinion of management, adequate provision has been made in the financial statements for any adjustments resulting from such reviews.

A reconciliation of the amount of services provided at established rates to net resident service revenue is as follows:

	2015	2014
Routine Revenue	\$ 28,011,870	\$ 30,384,649
Ancillary Revenue	7,590,727	6,173,360
Contractual Adjustments and Discounts	(3,911,570)	(2,657,683)
Net Resident Service Revenue	<u>\$ 31,691,027</u>	<u>\$ 33,900,326</u>

NOTE 3 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Investments and assets whose use is limited are categorized by investment type as follows:

	2015	2014
Cash and Cash Equivalents	\$ 545,236	\$ 749,379
Pooled Growth Fund	7,464,237	6,688,083
Mutual Funds	7,735,197	2,390,200
Fixed Income	3,718,962	3,202,607
	<u>19,463,632</u>	<u>13,030,269</u>
Less: Current Portion	<u>(1,028,559)</u>	<u>(1,012,523)</u>
Investments and Assets Whose Use is Limited, Net of Current Portion	<u>\$ 18,435,073</u>	<u>\$ 12,017,746</u>

The pooled growth fund represents shares of equity investments.

ASBURY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 3 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED (CONTINUED)

Investment income includes:

	2015	2014
Interest and Dividends	\$ 398,932	\$ 304,420
Realized Gains and Other	26,265	203,391
	<u>\$ 425,197</u>	<u>\$ 507,811</u>

NOTE 4 LONG-TERM DEBT

Long-term debt, excluding Forest Ridge Manor, Inc. (Note 10) is summarized as follows:

	2015	2014
Series 2007 Bonds	\$ 9,895,000	\$ 10,634,998
Series 2010 Bonds	12,320,036	13,522,237
	22,215,036	24,157,235
Less: Current Portion	(775,000)	(740,000)
Less: Unamortized Bond Discount	(28,076)	(31,585)
Long-Term Debt, Net	<u>\$ 21,411,960</u>	<u>\$ 23,385,650</u>

Series 2010 Bonds

On December 30, 2010, the Organization entered into a Bond Purchase and Loan Agreement under which The Health and Educational Facilities Board of Blount County, Tennessee (the Facilities Board) issued and sold a \$16 million tax-exempt revenue bond to Branch Banking and Trust Corporation (BB&T), the proceeds of which were used by the Organization to finance construction of its St. Clair Apartments on the Maryville campus, finance construction of improvements at the Johnson City nursing facility, and to pay certain fees and expenses related to the issuance and sale of the bond.

Under the terms of the agreement, the loan is non-revolving, requiring interest only payments through April 1, 2023. Interest rates are set at 68% of 1 month LIBOR plus 1.398%, which was 1.514% as of March 31, 2015. Principal payments begin on May 1, 2023. Proceeds from admission fees received on the last 12 units from the St. Clair Apartments (approximately \$3 million) are to be applied toward the repayment of the loan. As of March 31, 2015, approximately \$2,389,000 was repaid from admission fees proceeds. The agreement includes optional acceleration on each December 1st of 2020, 2025, 2030, and 2035. The loan is collateralized by the real property of the Organization.

ASBURY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 4 LONG-TERM DEBT (CONTINUED)

Series 2007 Bonds

On May 30, 2007, the Organization issued \$13,415,000 in Series 2007A Revenue Refunding Bonds and \$920,000 in Series 2007B Taxable Revenue Bonds (collectively, the "2007 Bonds"). The 2007 Bonds were issued to refinance all long-term debt outstanding, reimburse the Organization for the swap termination payment related to the Series 2003 Bonds, fund a reserve fund related to the new bonds, and to pay for certain expenses related to the issuance of the bonds. Interest on the 2007 Bonds is payable on April 1 and October 1 each year. The 2007 Bonds as issued bore interest at 4.75% through April 1, 2012 and currently bear interest at 5.125% through April 1, 2023. The 2007 Bonds are collateralized by all gross receipts, accounts receivable, equipment and inventory of the Organization.

A schedule of sinking fund payments and minimum maturities of debt for the next five years and thereafter is as follows:

<u>Fiscal Year Ending March 31,</u>	
2016	\$ 775,000
2017	815,000
2018	860,000
2019	905,000
2020	950,000
Thereafter	17,910,036
Total	<u>\$ 22,215,036</u>

Under the terms of the 2010 and 2007 bond agreements, the Organization is required to meet a number of covenants in which management believes they are in compliance at March 31, 2015.

Cash paid for interest was approximately \$721,000 and \$789,000 for the years ended March 31, 2015 and 2014, respectively. The Organization capitalized interest of approximately \$9,000 during the year ended March 31, 2015, related to construction in progress. No interest was capitalized during the year ended March 31, 2014.

ASBURY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 5 CAPITAL LEASE

The Organization leases certain equipment under a long-term lease agreement. A schedule of the leased equipment under capital lease follows:

	2015
Moveable Equipment	\$ 23,576
Less: Accumulated Depreciation	(3,929)
	<u>\$ 19,647</u>

Amortization expense of approximately \$4,000 from assets held under capital lease is included in depreciation and amortization expense for the year ended March 31, 2015.

The schedule of future minimum lease payments and present values of the net minimum lease payments follows:

Year Ending March 31,	
2016	\$ 8,865
2017	8,865
2018	3,217
	<u>20,947</u>
Less: Amounts Representing Interest	(2,132)
Less: Current Portion	(6,322)
	<u>\$ 12,493</u>

NOTE 6 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2015	2014
Contributions Received for Specific Healthcare Services	\$ 59,446	\$ 130,892
Contributions Received for Telecommunications Equipment	14,097	14,488
Total	<u>\$ 73,543</u>	<u>\$ 145,380</u>

Permanently restricted net assets represent endowment contributions. The State of Tennessee adopted the Tennessee Prudent Management of Institutional Funds Act ("UPMIFA"). The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. For the years ended March 31, 2015 and 2014, the Organization's investment income earned on endowment funds, in the absence of donor restrictions, was used to fund a portion of the cost to provide benevolent care to residents. The Organization received no permanently restricted donations during the years ended March 31, 2015 and 2014.

ASBURY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 7 RETIREMENT PLAN

The Organization has a 403(b) tax deferred annuity plan administered by The Variable Annuity Life Insurance Company (VALIC). Employee participation in the plan is voluntary. Participating employees are permitted to contribute a portion of their earnings to the plan. The Organization contributes a matching contribution made at a rate of 3% of compensation, provided that the employee has made elected deferrals at a rate equal to at least 1.5% of compensation. During the years ended March 31, 2015 and 2014, retirement plan expense totaled approximately \$106,000 and \$156,000, respectively.

NOTE 8 COMMITMENTS AND CONTINGENCIES

During 2006, the Organization engaged a management services organization to oversee substantially all management functions. The term of the agreement was for 60 months, through June 2011, with two automatic 36 month renewals. Base compensation was approximately \$186,000 per month, adjusted for certain expenses as specified in the agreement. Annual compensation was based on a percentage of the Organization's budgeted revenue as defined in the agreement.

Effective April 1, 2014, the Organization re-engaged the management service organization to oversee substantially all management functions. The term of the new agreement is for 39 months, with one automatic 36 month renewal. Base compensation is approximately \$180,000 per month, adjusted for certain expenses as specified in the agreement. Annual compensation is based on a percentage of the Organization's budget revenue as defined in the agreement.

In February 2009 the Organization engaged the same management services organization to provide development, marketing and financial services in conjunction with the repositioning and redevelopment of its Maryville facility. The contract called for monthly payments as well as payments related to specific milestones, and terminated upon achievement of 95 percent occupancy of the new units built as part of the redevelopment of the Maryville facility. The year ended March 31, 2014 was the final year of the contract. Payments under the contract during fiscal year 2014 were approximately \$56,000.

Effective March 2008, the Organization changed from a program of self-insuring the liability for workers' compensation claims to a fully insured plan. The remaining recorded liability at March 31, 2015, is to provide for claims incurred prior to the inception of the fully insured plan. In conjunction with this change, the Organization is required to maintain a letter of credit with a financial institution in the amount of \$100,000 to provide for payment of claims if the Organization is unable to fund claims. In April 2012, the Organization changed to a partially self-insured plan for its workers compensation insurance. In conjunction with this change the Organization is required to maintain a separate letter of credit with a financial institution in the amount of \$195,000 to provide for payment of claims if the Organization is unable to fund claims. Both letters of credit are unused as of March 31, 2015 and 2014.

ASBURY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Organization utilizes a professional and general liability insurance program for general and medical malpractice liability risks. At March 31, 2015, there are potential claims and incidents that may result in the assertion of claims, as well as potential claims from unknown incidents that may be asserted arising from services provided to patients. Management of the Organization, after consultation with legal counsel, estimates that these matters will be resolved without material adverse effect on the Organization's future financial position or results of operations.

NOTE 9 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Basis of Accounting, Operations and Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of March 31, 2015 and 2014:

2015				
	Level 1	Level 2	Level 3	Total
Investments and Assets				
Limited as to Use:				
Pooled Growth Fund	\$ 7,464,237	\$ -	\$ -	\$ 7,464,237
Mutual Funds	7,735,197	-	-	7,735,197
Fixed Income	3,718,962	-	-	3,718,962
Total Assets	<u>\$ 18,918,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,918,396</u>
2014				
	Level 1	Level 2	Level 3	Total
Investments and Assets				
Limited as to Use:				
Pooled Growth Fund	\$ 6,688,083	\$ -	\$ -	\$ 6,688,083
Mutual Funds	2,390,200	-	-	2,390,200
Fixed Income	3,202,607	-	-	3,202,607
Total Assets	<u>\$ 12,280,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,280,890</u>

ASBURY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 10 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Organization's financial instruments, excluding long-term obligations, approximate their fair values. The fair value of the Organization's long-term obligations is estimated based on the quoted market prices for the same or similar issues.

The carrying amounts and fair values of the Organization's long-term obligations at March 31 are as follows:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Obligations	<u>22,186,960</u>	<u>\$ 22,431,000</u>	<u>24,125,650</u>	<u>\$ 24,964,000</u>

NOTE 11 FOREST RIDGE MANOR, INC.

Asbury, Inc. sponsors a U.S. Department of Housing and Urban Development ("HUD") housing project developed and administered by Forest Ridge Manor, Inc. ("FRM"), a 501(c)(3) organization. Asbury, Inc. has both control of FRM through the appointment of FRM's board of directors and an economic interest in FRM. As such, the accounts of FRM are consolidated with those of Asbury, Inc.

The purpose of the HUD project is to provide affordable housing for low-income elderly persons in the Kingsport, Tennessee area. In 2005, FRM received a capital grant to construct a 38-unit apartment complex. Through March 31, 2015, FRM has drawn \$3,293,600 from the capital grant and recorded a capital advance liability related to these draws. The capital advance grant acts as a 40-year mortgage that is not required to be repaid so long as the housing remains available to eligible persons in accordance with Section 202 of the Housing Act of 1959.

Selected financial information for FRM as of March 31 is as follows:

	2015	2014
Assets	\$ 3,085,660	\$ 3,193,327
Liabilities	3,554,187	3,503,910
Net Assets	(468,527)	(310,583)
Revenues	116,213	130,367

Assets for FRM primarily relate to housing facilities and liabilities primarily relate to the capital advance grant.

ASBURY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

NOTE 12 NOTE RECEIVABLE

In November 2012, the Organization sold a portion of the Johnson City facility, excluding the skilled nursing facility to an unrelated outside party. As part of the sales agreement, the Organization accepted a promissory note from the buyer in the amount of \$589,000 bearing interest at the annual rate of five percent, compounded annually. Per the terms of the note, principal and interest payments of \$3,891 are due the first day of each month for 35 months. The 36th and final payment of \$534,010, together with all remaining principal and accrued interest is due no later than December 1, 2015. The note is supported by a deed of trust on the property involved in the sale.

The outstanding balance of the note receivable as of March 31, 2015 and 2014 was approximately \$559,000 and \$575,000, respectively. During 2015, the buyer experienced financial difficulties and there is uncertainty around the ability of the buyer to pay off the note. As of March 31, 2015, the Organization has allowed for the entire note balance due to this uncertainty.

NOTE 13 JOHNSON CITY ASSET SALE

On June 11, 2014 the Organization entered into an Asset Purchase Agreement (the "Agreement") with an unrelated party to sell substantially all of the assets of its Johnson City facility for approximately \$5,500,000. Prior to the execution of the sale, the Organization evaluated the proposed total sales price in comparison to the net book value of the related assets being sold and determined that no impairment appeared to exist on the assets.

The sale was approved and finalized on August 29, 2014. Due to certain restrictions around the use of the funds received from the sale under the Organization's bond agreements, these funds are held by the bond trustee and are included as Assets Whose Use is Limited Under Bond Agreements on the Consolidated Balance Sheet at March 31, 2015. Under the agreements, the Organization may use these funds for certain capital improvements to the Organization, as approved by the majority bond holder. The difference between the net purchase price and the net book value of the Johnson City assets was approximately \$1,330,000, which is shown as a Gain on the Sale of Johnson City Assets on the Consolidated Statement of Operations and Changes in Net Assets for the year ended March 31, 2015. Subsequent to the sale, the remaining net deficit related to Johnson City was transferred internally to the Asbury Support Center.



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

Board of Directors
Asbury, Inc. and Affiliate
Maryville, Tennessee

We have audited the consolidated statements of financial position of Asbury, Inc. and Affiliate as of and for the year ended March 31, 2015, and our report thereon dated July 22, 2015, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as listed under "Accompanying Information" on the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to Forest Ridge Manor, Inc., is based on the report of other auditors, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

Charlotte, North Carolina
July 22, 2015

**ASBURY, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MARCH 31, 2015**

ASSETS	Locations					Asbury, Inc.	Forest Ridge Manor, Inc.	Asbury, Inc. Consolidated
	Support Center	Maryville	Johnson City	Kingsport	Asbury at Home			
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 4,888,927	\$ 1,500	\$ -	\$ 1,600	\$ -	\$ 4,892,027	\$ 58,113	\$ 4,950,140
Accounts Receivable, Net	28,386	1,489,796	-	714,441	48,398	2,281,021	472	2,281,493
Note Receivable	11,673	-	-	-	-	11,673	-	11,673
Prepaid Expenses and Other Current Assets	718,031	458,098	-	35,522	1,183	1,212,834	-	1,212,834
Current Portion of Assets Whose Use is Limited Under Bond Agreement	-	636,678	-	391,881	-	1,028,559	-	1,028,559
Total Current Assets	5,647,017	2,586,072	-	1,143,444	49,581	9,426,114	58,585	9,484,699
ASSETS WHOSE USE IS LIMITED, NET								
Patient Trust Funds	101	47,673	-	-	-	47,774	11,528	59,302
Under Bond Agreements	5,373,891	824,991	-	507,754	-	6,706,636	-	6,706,636
By Donors - Endowment Funds	53,391	-	-	-	-	53,391	-	53,391
By Board - Workers' Compensation Fund	264,887	24,702	-	6,303	-	295,892	-	295,892
By Board - Other Designated Funds	-	-	-	-	-	-	118,802	118,802
Total Assets Whose Use is Limited, Net	5,692,270	897,366	-	514,057	-	7,103,693	130,330	7,234,023
INVESTMENTS	7,456,951	3,436,093	-	308,006	-	11,201,050	-	11,201,050
PROPERTY AND EQUIPMENT								
Land	-	137,923	-	933,482	-	1,071,405	-	1,071,405
Land Improvements	22,667	1,353,370	-	334,346	-	1,710,383	24,723	1,735,106
Buildings	102,867	37,928,985	-	18,123,112	-	56,152,964	3,576,563	59,729,527
Equipment	775,691	5,125,928	-	4,578,481	-	10,480,100	58,172	10,538,272
Construction in Progress	-	914,511	-	130,766	-	1,045,277	-	1,045,277
	901,225	45,458,717	-	24,100,187	-	70,460,129	3,659,458	74,119,587
Less Accumulated Depreciation	(886,350)	(16,353,429)	-	(8,876,029)	-	(26,115,808)	(762,713)	(26,878,521)
Property and Equipment, Net	14,875	29,105,288	-	15,224,158	-	44,344,321	2,896,745	47,241,066
OTHER ASSETS								
Deferred Costs	-	679,739	-	116,583	-	796,322	-	796,322
Total Assets	\$ 18,811,113	\$ 36,704,558	\$ -	\$ 17,306,248	\$ 49,581	\$ 72,871,500	\$ 3,085,660	\$ 75,957,100

ASBURY, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2015

	Locations					Asbury, Inc.	Forest Ridge Manor, Inc.	Asbury, Inc. Consolidated
	Support Center	Maryville	Johnson City	Kingsport	Asbury at Home			
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts Payable and Accrued Expenses	\$ 1,660,073	\$ 673,705	\$ -	\$ 187,080	\$ 9,972	\$ 2,530,830	\$ 80,190	\$ 2,611,020
Accrued Payroll Related Liabilities	832,289	10,787	-	4,525	1	847,602	997	848,599
Current Portion of Long-Term Debt	-	479,725	-	295,275	-	775,000	-	775,000
Current Portion of Capital Lease	-	3,913	-	2,409	-	6,322	-	6,322
Deferred Revenue - Deposits	-	623,709	-	20,100	-	643,809	-	643,809
Total Current Liabilities	2,492,362	1,791,839	-	509,389	9,973	4,803,563	81,187	4,884,750
LONG-TERM DEBT, NET OF CURRENT PORTION	-	17,445,920	-	3,966,040	-	21,411,960	-	21,411,960
CAPITAL LEASE, NET OF CURRENT PORTION	-	7,787	-	4,706	-	12,493	-	12,493
OTHER LIABILITIES								
Due From (Due To) Other Facilities	12,460,446	(9,634,808)	-	(3,158,209)	287,272	(45,299)	45,299	-
Refundable Admission Fees	-	15,298,322	-	4,371,222	-	19,669,544	-	19,669,544
Deferred Admission Fees, Net	-	1,373,499	-	2,140,716	-	3,514,215	-	3,514,215
Affordable Housing Program Grant Note	-	-	-	-	-	-	134,101	134,101
HUD Capital Advance	-	-	-	-	-	-	3,293,600	3,293,600
Total Other Liabilities	12,460,446	7,037,013	-	3,353,729	287,272	23,138,460	3,473,000	26,611,460
Total Liabilities	14,952,808	26,282,559	-	7,833,864	297,245	49,366,476	3,554,187	52,920,663
NET ASSETS								
Unrestricted	3,790,426	10,368,104	-	9,467,224	(247,664)	23,378,090	(468,527)	22,909,563
Temporarily Restricted	14,488	53,895	-	5,160	-	73,543	-	73,543
Permanently Restricted	53,391	-	-	-	-	53,391	-	53,391
Total Net Assets	3,858,305	10,421,999	-	9,472,384	(247,664)	23,505,024	(468,527)	23,036,497
Total Liabilities and Net Assets	\$ 18,811,113	\$ 36,704,558	\$ -	\$ 17,306,248	\$ 49,581	\$ 72,871,500	\$ 3,085,660	\$ 75,957,160

ASBURY, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2015

	Support Center	Maryville	Locations Johnson City	Kingsport	Asbury at Home	Asbury, Inc.	Forest Ridge Manor, Inc.	Asbury, Inc. Consolidated
OPERATING REVENUES								
Net Resident Service Revenue	\$ -	\$ 17,683,477	\$ 2,206,612	\$ 11,099,827	\$ 701,111	\$ 31,691,027	\$ -	\$ 31,691,027
Other Operating Revenue	971	241,973	4,405	386,993	-	634,342	116,213	750,555
Net Assets Released from Restrictions	-	102,555	-	7,853	-	110,408	-	110,408
Total Operating Revenues	971	18,028,005	2,211,017	11,494,673	701,111	32,435,777	116,213	32,551,990
OPERATING EXPENSES								
Health Care Services	-	7,087,800	1,157,045	4,135,924	381,021	12,761,790	-	12,761,790
Social Services	-	318,503	14,088	202,212	-	534,803	-	534,803
Nutritional Services	-	2,162,579	266,381	1,612,275	-	4,041,235	-	4,041,235
Environmental Services	2,168	1,821,891	190,156	1,234,439	-	3,248,654	92,581	3,341,235
Administrative Services	(29,534)	2,793,144	435,537	1,705,428	181,821	5,086,196	57,249	5,143,445
Employee Benefits	5,392	1,646,257	90,075	960,457	39,709	2,741,890	-	2,741,890
Taxes and Insurance	18,337	1,250,787	150,082	655,995	-	2,073,201	21,288	2,094,489
Interest	2,108	454,708	58,508	177,887	-	693,011	-	693,011
Bad Debts	2,357	545,863	746,527	97,535	51,544	1,443,826	-	1,443,826
Depreciation and Amortization	6,667	1,398,715	20,600	766,490	-	2,192,472	103,193	2,295,665
Total Operating Expenses	5,495	19,480,247	3,128,999	11,548,442	653,895	34,817,078	274,311	35,091,369
OPERATING INCOME (LOSS)	(4,524)	(1,452,242)	(917,982)	(53,769)	47,216	(2,381,301)	(158,098)	(2,539,399)
OTHER INCOME (LOSS)								
Investment Income	270,650	125,066	18,772	10,709	-	425,197	-	425,197
Gain on Sale of Johnson City Assets	-	-	1,330,014	-	-	1,330,014	-	1,330,014
Other Income (Loss)	(10,000)	140,584	150	12,878	-	143,612	154	143,766
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	256,126	(1,186,592)	430,954	(30,182)	47,216	(482,478)	(157,944)	(640,422)
Net Unrealized Gains on Investments	23,555	(4,982)	21,726	2,231	-	42,530	-	42,530
Transfer of Net Deficit from Johnson City to Support Center	(3,497,185)	-	3,497,185	-	-	-	-	-
Increase (Decrease) in Unrestricted Net Assets	(3,217,504)	(1,191,574)	3,949,865	(27,951)	47,216	(439,948)	(157,944)	(597,892)
TEMPORARILY RESTRICTED NET ASSETS								
Contributions	-	30,358	-	8,213	-	38,571	-	38,571
Net Assets Released from Restrictions	-	(102,555)	-	(7,853)	-	(110,408)	-	(110,408)
Increase in Temporarily Restricted Net Assets	-	(72,197)	-	360	-	(71,837)	-	(71,837)
Increase (Decrease) in Net Assets	(3,217,504)	(1,263,771)	3,949,865	(27,591)	47,216	(511,785)	(157,944)	(669,729)
Net Assets - Beginning of Year	<u>7,075,809</u>	<u>11,685,770</u>	<u>(3,949,865)</u>	<u>9,499,975</u>	<u>(294,880)</u>	<u>24,018,809</u>	<u>(310,583)</u>	<u>23,706,226</u>
NET ASSETS - END OF YEAR	<u>\$ 3,858,305</u>	<u>\$ 10,421,999</u>	<u>\$ -</u>	<u>\$ 9,472,384</u>	<u>\$ (247,664)</u>	<u>\$ 23,505,024</u>	<u>\$ (468,527)</u>	<u>\$ 23,036,497</u>

**Section C: Contribution to the Orderly Development of Healthcare –
7(c)**

Applicant's Facility License

Board for Licensing Health Care Facilities



State of Tennessee

License No. 0000000010

No. Beds 0181

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

ASBURY, INC. to conduct

and maintain a Nursing Home ASBURY PLACE AT MARYVILLE

Located at 2648 SEVIERVILLE ROAD, MARYVILLE

County of BLOUNT, Tennessee.

This license shall expire DECEMBER 06, 2015 and is subject

to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.

In Witness Whereof, we have hereunto set our hand and seal of the State

this 6TH day of DECEMBER, 2014.



By Vincent J. Davis, MPH
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By [Signature]
COMMISSIONER

**Section C: Contribution to the Orderly Development of Healthcare –
7(d)**

Applicant's Most Recent Licensure Inspection



July 9, 2015

Karen Kirby, R.N. Regional Administrator
State of Tennessee- Department of Health
Office of health Licensure and Regulation
East TN Region
7175 Strawberry Plains Pike, Suite 103
Knoxville, TN 37914

Dear Ms. Kirby:

Enclosed you will find the Plan of Correction addressing the Statement Of Deficiencies report resulting from the State Licensure Survey and complaint investigation conducted at Asbury Place of Maryville- Health Care Center from June 15-17, 2015.

If there are any questions, the best way to contact me is by my cell phone at 865-659-1201. My office number is 865-984-1660- Extension 3286.

Respectfully,

Carolyn P. Neil, R.N., M.P.H., L.N.H.A
Administrator

FAX TRANSMITTAL

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
HEALTH CARE FACILITIES

TO: Ms. Carolyn Neil, Administrator
Asbury Place at Maryville
865-982-1617 Ph # 865-984-1660

FROM: Karen B. Kirby, RN, Regional Administrator/A. Lewis
ETRO Health Care Facilities

FAX NUMBER: 865-594-5739

DATE: July 1, 2015

NUMBER OF PAGES INCLUDING THIS ONE: 16

IF YOU HAVE ANY QUESTIONS, CALL (865) 594-9396

SUBJECT/MESSAGE: Annual survey findings.
Hardcopy to mail 7/01/15.
Thank you, afl

CONFIDENTIALITY NOTICE: The information contained in this message is confidential and is intended solely for the use of the person or entity named above. This message may contain individually identifiable information that must remain confidential and is protected by state and - federal law. If the reader of this message is not the intended recipient, the reader is hereby notified that any dissemination, distribution or reproduction of this message is strictly prohibited. If you have received this message in error, please immediately notify the sender by telephone and destroy the original message. We regret any inconvenience and appreciate your cooperation.



STATE OF TENNESSEE
DEPARTMENT OF HEALTH
OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
7175 STRAWBERRY PLAINS PIKE, SUITE 103
KNOXVILLE, TENNESSEE 37914

IMPORTANT NOTICE - PLEASE READ CAREFULLY

July 1, 2015

Ms. Carolyn Neil, Administrator
Asbury Place at Maryville
2648 Sevierville Road
Maryville TN 37804

RE: 44-4-5017

Dear Ms. Neil:

The East Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety Code recertification survey/complaint investigation on June 15 - 17, 2015. This letter to you is to serve as notice that as a result of the survey completed **June 17, 2015**, your facility was not in substantial compliance with the participation requirements of Medicare and/or Medicaid Programs. A statement of deficiencies (CMS 2567) is being provided to you with this letter.

✱ If you do not achieve substantial compliance by **August 1, 2015 (45th day)**, our office will recommend to the Centers for Medicare & Medicaid Services (CMS) and/or the State Medicaid Agency that enforcement remedies be imposed.

All references to regulatory requirements contained in this letter are found in Title 42, Code of Federal Regulations.

Mandatory Remedies

If you do not achieve substantial compliance by **September 17, 2015**, (3 months after the last day of the survey identifying noncompliance **June 17, 2015**), the CMS Regional Office and/or State Medicaid Agency must deny payments for new admissions.

We will also recommend to the CMS Regional Office that your Provider Agreement be terminated on **December 17, 2015**, if substantial compliance is not achieved by that time.

Please note that this notice does not constitute formal notice of imposition of alternative remedies or termination of your provider agreement. Should the Centers for Medicare and Medicaid Services determine that termination or any other remedy is warranted, it will provide you with a separate formal notification of that determination.

Ms. Carolyn Neil, Administrator
July 1, 2015
Page 2

Plan of Correction (POC)

A POC for the deficiencies must be submitted by **July 11, 2015**. Failure to submit an acceptable POC by **July 11, 2015**, may result in the imposition of remedies by **August 1, 2015**.

Your POC must contain the following:

What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice;

How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken;

What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur; and

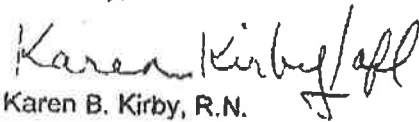
How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e., what quality assurance program will be put into place.

INFORMAL DISPUTE RESOLUTION

In accordance with 488.331, you have one opportunity to question cited deficiencies. You may request a Face to Face IDR for substandard level deficiencies, harm level deficiencies and immediate jeopardy level deficiencies. All other deficiencies will receive a desk review (telephone or written) by the Regional Office that cited the deficiency. These requests must be made within the same 10-calendar day period that you have for submitting an acceptable plan of correction and must contain additional justification as to why the deficiency(ies) should not have been written for harm level deficiencies or other deficiencies that are not substandard or immediate jeopardy. Evidence to dispute the scope and severity levels may only be submitted for substandard or immediate jeopardy deficiencies. Additional information which must be submitted with your request for an IDR is limited to no more than five (5) typed pages with a font size of no less than ten (10). If the facility is requesting a desk review in addition to a face to face IDR, the facility must submit two separate requests with their plan of correction to the State Survey Agency at the address on this letter, telephone 865-594-9396 or fax number 865-594-5739. An incomplete Informal Dispute Resolution process will not delay the effective date of any enforcement action.

If you have any questions, please contact the East Tennessee Regional Office by phone: 865-594-9396 or by fax: 865-594-5739.

Sincerely,



Karen B. Kirby, R.N.
Regional Administrator
ETRO Health Care Facilities

KK:af1

Enclosure

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445017	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED 06/17/2015
NAME OF PROVIDER OR SUPPLIER ASBURY PLACE AT MARYVILLE			STREET ADDRESS, CITY, STATE, ZIP CODE 2845 SEVIERVILLE RD MARYVILLE, TN 37804		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
F 000	INITIAL COMMENTS A recertification survey and complaint investigation #35593, #35680, #35682, #35870, #35961, #36030, were completed on 6/15-17/2015, at Asbury Place at Maryville. No deficiencies were cited related to the complaint investigation #35593, #35680, #35682, #35870, #35961, and #36030, under 42 CFR Part 483, Requirements for Long Term Care Facilities. F 278 483.20(g) - (j) ASSESSMENT SS=D ACCURACY/COORDINATION/CERTIFIED The assessment must accurately reflect the resident's status. A registered nurse must conduct or coordinate each assessment with the appropriate participation of health professionals. A registered nurse must sign and certify that the assessment is completed. Each individual who completes a portion of the assessment must sign and certify the accuracy of that portion of the assessment. Under Medicare and Medicaid, an individual who willfully and knowingly certifies a material and false statement in a resident assessment is subject to a civil money penalty of not more than \$1,000 for each assessment; or an individual who willfully and knowingly causes another individual to certify a material and false statement in a resident assessment is subject to a civil money penalty of not more than \$5,000 for each assessment. Clinical disagreement does not constitute a	F 000	F 278 ASSESSMENT ACCURACY/COORDINATION 1. What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice? The MDS assessment for resident #81 was dated incorrectly. The ARD date for the assessment was recorded as 5/17/15, but should have been 5/3/15. The behavior noted in the findings occurred on 5/11/15, after the correct ARD date. Therefore, because the assessment was completed timely but dated incorrectly, the MDS would not have reflected the behavior. The corrected/modified MDS assessment has been resubmitted.	7/31/15	

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

A deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that the safeguards provide sufficient protection to the patients. (See Instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445017	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED 06/17/2015
NAME OF PROVIDER OR SUPPLIER ASBURY PLACE AT MARYVILLE			STREET ADDRESS, CITY, STATE, ZIP CODE 2645 SEVIERVILLE RD MARYVILLE, TN 37804		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)		(X5) COMPLETION DATE
F 278	Continued From page 1 material and false statement. This REQUIREMENT is not met as evidenced by: Based on medical record review, review of employee written statement, and interview, the facility failed to accurately reflect the aggressive behavior on the Minimum Data Set (MDS) for 1 resident (#81) of 38 residents reviewed. The findings included: Medical record review revealed Resident #81 was admitted on 8/22/14 with diagnoses including Late Effect Hemiplegia and Alzheimer's Dementia. Medical record review of the Quarterly Minimum Data Set (MDS) dated 5/17/2015 revealed "...Physical behavioral symptoms directed toward others [e.g., hitting, kicking, pushing, scratching, grabbing...]. Behavior not exhibited..." Record review of a written statement by Certified Nursing Assistane (CNA #3) dated 5/15/2015 revealed "...at 1:00 [AM] [CNA #1] & I went into [Resident #81] room because her alarm was going off as we were trying to help her in bed she was very agitated & was swinging and kicking at [CNA #1]." Interview with Registered Nurse #2 on 6/17/2015 at 9:20 AM, at the 100 South nurse's desk revealed "...it is not unusual for the resident to be combative...it is how you approach her." Interview with MDS/Care Plan Licensed Practical Nurse #1 on 6/17/15 at 2:20 PM, in the MDS	F 278	2. How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken. The MDS Coordinator and Nurses will review the current MDS assessments for residents who are being tracked for behavior management by July 31, 2015. Any missing behaviors or incorrect dates will be modified and resubmitted. 3. What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur. The MDS Coordinator will review the ARD dates prior to submission and make modifications if indicated. 4. How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e. what quality assurance program will be put into place. The MDS staff will audit 10% of each other's ARD dates for accuracy each month x 3 months, then quarterly x 2 quarters. Any significant trends will be reported to Quality Assurance committee, which meets at least quarterly and consists of the Medical Director, Pharmacist, Director of Nursing, Administrator, Staff Development Coordinator, Clinical Mentors, Dietician, and Social Workers.		7/31/15

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445017	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED 06/17/2015
NAME OF PROVIDER OR SUPPLIER ASBURY PLACE AT MARYVILLE			STREET ADDRESS, CITY, STATE, ZIP CODE 2648 SEVIERVILLE RD MARYVILLE, TN 37804		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
F 278	Continued From page 2 office confirmed the quarterly MDS dated 5/17/2015 failed to reflect the resident's aggressive behavior on 5/15/2015.	F 278	F 280 RIGHT TO PARTICIPATE PLANNING CARE- REVISE CARE PLAN 1. What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice? The care plan for resident #81 has been updated to include aggressive behaviors and behavior management approaches. 2. How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken. The MDS Coordinator and MDS nurses will review all residents who are being tracked for behaviors to ensure their care plans address the specific behavior and applicable behavior management techniques by July 31, 2015. 3. What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur. When completing an MDS assessment, the MDS coordinator and MDS staff will check the care plan of that resident who has a behavior documented on an MDS, to ensure the care plan accurately reflects the behavior and behavior management approaches. This will be an ongoing activity by MDS staff.	7/31/15	
F 280 SS=D	483.20(d)(3), 483.10(k)(2) RIGHT TO PARTICIPATE PLANNING CARE-REVISE CP The resident has the right, unless adjudged incompetent or otherwise found to be incapacitated under the laws of the State, to participate in planning care and treatment or changes in care and treatment. A comprehensive care plan must be developed within 7 days after the completion of the comprehensive assessment; prepared by an interdisciplinary team, that includes the attending physician, a registered nurse with responsibility for the resident, and other appropriate staff in disciplines as determined by the resident's needs, and, to the extent practicable, the participation of the resident, the resident's family or the resident's legal representative; and periodically reviewed and revised by a team of qualified persons after each assessment. This REQUIREMENT is not met as evidenced by: Based on medical record review, review of employee written witness statement, and interview, the facility failed to revise the care plan for 1 resident (#81) of 38 residents reviewed. The findings included: Medical record review revealed Resident #81 was	F 280			

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445017	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED 06/17/2015
NAME OF PROVIDER OR SUPPLIER ASBURY PLACE AT MARYVILLE			STREET ADDRESS, CITY, STATE, ZIP CODE 2648 SEVIERVILLE RD MARYVILLE, TN 37804		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)		(X5) COMPLETION DATE
F 280	<p>Continued From page 3</p> <p>admitted on 8/22/2014 with diagnoses including Late Effect Hemiplegia and Alzheimer's Dementia.</p> <p>Medical record review of Resident #81's current care plan dated 5/7/15 revealed no problems or approaches to intervene when Resident #81 is being aggressive and hitting people or how to approach her to reduce instances of combativeness.</p> <p>Record review of the Written Statement of Certified Nurse Assistant (CNA) #3 dated 5/15/2015 revealed "...at 1:00 [AM] [CNA #1] & I went into [Resident #81] room because her alarm was going off as we were trying to help her in bed she was very agitated & was swinging and kicking at [CNA #1]..."</p> <p>Interview with Registered Nurse #2 on 6/17/2015 at 9:20 AM, at the 100 South nurse's desk revealed "...It is not unusual for the resident to be combative...it is how you approach her."</p> <p>Interview with Minimum Data Set/Care Plan Licensed Practical Nurse on 6/17/15 at 2:20 PM, in the MDS office confirmed the care plan had not been revised for the resident's aggressive behavior.</p>	F 280	4. How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e. what quality assurance program will be put into place.		7/31/15
			The MDS staff will audit 10% of each other's MDS assessments to identify whether the resident has a documented behavior, and if so, will check the care plan of that resident to ensure that the behavior and the management of the behavior is documented on the care plan. This audit will occur each month x 3 months, then quarterly x 2 quarters. Any significant trends will be reported to Quality Assurance committee, which meets at least quarterly and consists of the Medical Director, Pharmacist, Director of Nursing, Administrator, Staff Development Coordinator, Clinical Mentors, Dietician, and Social Workers.		

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TN0505	(X2) MULTIPLE CONSTRUCTION A. BUILDING: _____ B. WING: _____	(X3) DATE SURVEY COMPLETED 06/17/2015
NAME OF PROVIDER OR SUPPLIER ASBURY PLACE AT MARYVILLE		STREET ADDRESS, CITY, STATE, ZIP CODE 2648 SEVIERVILLE RD MARYVILLE, TN 37804	
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)
N 000	Initial Comments A licensure survey and complaint investigation #35593, #35680, #35682, #35870, #35961, and #38030, were completed on 6/15-17/2015, at Asbury Place at Maryville. No deficiencies were cited under Chapter 1200-8-6, Standards for Nursing Homes.	N 000	7/31/15

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X8) DATE

DATE FORM

B48Z11

7/9/15
If continuation sheet 1 of 1

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445017	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____	(X3) DATE SURVEY COMPLETED 06/18/2015
NAME OF PROVIDER OR SUPPLIER ASBURY PLACE AT MARYVILLE			STREET ADDRESS, CITY, STATE, ZIP CODE 2648 SEVIERVILLE RD MARYVILLE, TN 37804	
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE	(X5) COMPLETION DATE
K 038 SS=F	<p>NFPA 101 LIFE SAFETY CODE STANDARD</p> <p>Exit access is arranged so that exits are readily accessible at all times in accordance with section 7.1. 19.2.1</p> <p>This STANDARD is not met as evidenced by: Based on observation, testing and interview, the facility failed to provide the means of egress readily accessible at all times.</p> <p>The findings include:</p> <p>Observation, testing and interview with staff on 6/16/15 between 10:30 AM and 12:00 PM revealed the following:</p> <ol style="list-style-type: none"> 1 south delayed egress door going into the stairwell has 15 seconds and 30 seconds on the signage. The door when tested, released in 15 seconds. Delayed egress door in the sun room, the signage blends in with the door and is not on a contrasting background. Delayed egress door in memory care leading into the service hall is not provided with any signage. Delayed egress door leading into the memory care courtyard has a 30 second delayed egress sign but when tested the door released in 15 seconds. Delayed egress door in the memory care activity room that leads into the courtyard is not provided with any signage. 1 north exit door leading directly outside is not provided with any signage. 2 north service hall delayed egress door has 	K 038	<p>K 038 LIFE SAFETY CODE- EXITS</p> <ol style="list-style-type: none"> 1. What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice? <p>Items 1- 7 each egress door listed now have accurate and visible signage to reflect the true operation of each delayed egress door. Item 8, a designated exit from the courtyard will be clearly defined and exit sign installed. Item 9, pad lock removed from patio gate outside of the physical therapy department. All items will be completed by 7/31/2015.</p> <ol style="list-style-type: none"> 2. How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken. <p>All delayed egress doors in the facility will be checked to insure proper signage and operation is in place by July 31, 2015.</p>	7/31/15

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

Carolyn R. Hart Administrator 7/9/15

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that the safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445017	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 06/16/2015
NAME OF PROVIDER OR SUPPLIER ASBURY PLACE AT MARYVILLE			STREET ADDRESS, CITY, STATE, ZIP CODE 2648 SEVIERVILLE RD MARYVILLE, TN 37804		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 038	Continued From page 1 a 30 second delayed time, when tested, the release time was greater than 30 seconds. 8. Memory care courtyard does not have a designated exit that is readily accessible out of the courtyard and away from the building without reentry into the facility. 9. Physical therapy has a designated exit out to a small patio area outside. The gate for the patio is pad locked. Interview with the physical therapy staff revealed no one has a key or knows where a key is at for the lock. These findings were verified by maintenance and acknowledged by the administrator during the exit conference on 6/16/16. NFPA 101 7.2.1.6.1 & 7.10.1.2* NFPA 101 LIFE SAFETY CODE STANDARD	K 038	3. What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur. Maintenance staff will be in- served on delayed egress, inappropriate use of pad locks, and proper signage by the Facilities Director by July 31, 2015.	7/31/15	
K 052 SS=D	A fire alarm system required for life safety is installed, tested, and maintained in accordance with NFPA 70 National Electrical Code and NFPA 72. The system has an approved maintenance and testing program complying with applicable requirements of NFPA 70 and 72. 9.8.1.4 This STANDARD is not met as evidenced by: Based on observation, the facility failed to maintain the fire alarm system. The findings include:	K 052	4. How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e. what quality assurance program will be put into place. Maintenance staff to include visible and operational check of all delayed egress door when doing monthly safety check. K 052 NFPA 101- LIFE SAFETY CODE- NFPA 70 NATIONAL ELECTRICAL CODES AND NFPA 72	7/31/15	
			1. What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice?	7/31/15	

New back-up batteries were
installed 6/18/2015 in the 3rd
and 2nd floor North fire alarm
control panels.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445017	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____	(X3) DATE SURVEY COMPLETED 06/16/2015
NAME OF PROVIDER OR SUPPLIER ASBURY PLACE AT MARYVILLE			STREET ADDRESS, CITY, STATE, ZIP CODE 2648 SEVIERVILLE RD MARYVILLE, TN 37804	
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
K 052	Continued From page 2 Observation 6/16/15 at 10:30 AM revealed the annunciator panels on 3rd floor north and 2nd floor north for the fire alarm control panel shows a trouble signal due to back up batteries having a low charge. This finding was verified by the maintenance and acknowledged by the administrator during the exit conference on 6/16/15. NFPA 72 1-5.4.6.3.3*, 7-1.1.1, 7-1.1.2 NFPA 101 LIFE SAFETY CODE STANDARD Required automatic sprinkler systems have valves supervised so that at least a local alarm will sound when the valves are closed. NFPA 72, 9.7.2.1 This STANDARD is not met as evidenced by: Based on record review, the facility failed to have all control valves for the sprinkler system electronically supervised. The findings include: Record review of the sprinkler documentation revealed that not all control valves are electronically supervised to provide a signal that sounds and is displayed at a continuously attended location when the sprinkler system is impaired. This finding was verified by the maintenance and acknowledged by the administrator during the exit	K 052	2. How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken. All fire alarm control panels have been evaluated to ensure that they are working properly and have charged batteries. 3. What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur. The Facilities Director will educate staff on the proper operation of annunciator panels and trouble signals by July 31, 2105. 4. How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e. what quality assurance program will be put into place. The maintenance staff will document dates of when batteries are replaced to aid in determining age of battery and when it should be systematically changed.	7/31/15
K 061 SS=F		K 061		

Facility Director and or maintenance staff will inspect and monitor all annunciator panels and fire panels during monthly safety inspection of the facility.

K-061 - See Additional pages. *Amil*

K-061

**K 061 NFPA 101 LIFE SAFETY CODE-
VALVES- NFPA 72,
9.7.2.1AUTOMATIC SPRINKLER
CONTROL**

- 1. What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice?**

SimplexGrinnell Alarm Company has been contracted with to install electronic supervisory devices to all sprinkler valves not currently supervised. The work is to be completed by 7/31/2015

- 2. How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken.**

Director of Facility and SimplexGrinnell technician to inspect all sprinkler valves thru-out the facility to identify all sprinkler valves are electronically supervised by July 31, 2015.

- 3. What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur.**

The Facilities Director will ensure that the Maintenance staff is properly educated as to the proper supervisory devices; how they work; and what to observe for during inspections by July 31, 2015.

DATE
7/31/15

K-0601
Conf.

DATE
7/31/15

4. **How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e. what quality assurance program will be put into place.**

Director of Facilities and/or the maintenance staff will inspect all sprinkler valves while doing monthly safety checks.

Morristown Sprinkler Company is contracted to complete quarterly system inspections, which the Facilities Director and/or maintenance staff will ensure are completed and documented.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445017	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____	(X3) DATE SURVEY COMPLETED 06/16/2015
NAME OF PROVIDER OR SUPPLIER ASBURY PLACE AT MARYVILLE			STREET ADDRESS, CITY, STATE, ZIP CODE 2648 SEVIERVILLE RD MARYVILLE, TN 37804	
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
K 061	Continued From page 3 conference on 6/16/15.	K 061	K 064 NFPA 101 LIFE SAFETY- PORTABLE FIRE EXTINGUISHERS- NFPA 10 1. What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice? Knox Fire Extinguisher has been contracted with to perform 6 year maintenance for all fire extinguishers on the 2 nd and 3 rd floor of the Health care facility. Inspections and labeling will be completed by 7/31/2015. 2. How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken. Maintenance staff will perform a thorough inspection of all fire extinguishers by July 31, 2015. 3. What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur.	7/31/15
K 064 SS=E	Portable fire extinguishers are provided in all health care occupancies in accordance with 9.7.4.1. 19.3.5.6, NFPA 10 This STANDARD is not met as evidenced by: Based on observation, the facility failed to have the 6 year maintenance on fire extinguishers conducted. The findings include: Observation on 6/16/15 at 2:30 PM revealed 10lbs fire extinguishers on the 2nd and 3rd floor have not had the 6 year maintenance conducted. No metallic label or verification of service collar was on the fire extinguishers. The date of manufacture on the fire extinguishers is 2008. This finding was verified by the maintenance and acknowledged by the administrator during the exit conference on 6/16/15. NFPA 10 4-4.4.1* & 4-4.4.2* NFPA 101 LIFE SAFETY CODE STANDARD	K 064		
K 069 SS=D	Cooking facilities are protected in accordance with 9.2.3. 19.3.2.6, NFPA 96 This STANDARD is not met as evidenced by: Based on observation, the facility failed to provide complete extinguishing coverage for the	K 069		

Director of Facilities will
educate the maintenance staff
as to the proper way to inspect
fire extinguishers by July 31,
2015.

Cont. on separate page.
Followed by K-069. CRNul

K-064
cont.

4. How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e. what quality assurance program will be put into place.

7/31/15

Maintenance staff to inspect and document all fire extinguishers each month. Knox Fire Extinguisher Company will inspect and document all fire extinguishers quarterly. Facilities Director and/or maintenance staff will ensure that the inspections by Knox Fire Extinguisher Company are done timely and thoroughly to include all floors in the health center

**K 069 NFPA 101 LIFE SAFETY CODE-
COOKING FACILITIES- NFPA 96**

K-069

1. What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice?

7/31/15

Fryer was centered under the ANSUL nozzle on 6-18-15.

2. How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken.

N/A

3. What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur.

The Director of Dining has ensured that all required equipment in the kitchen was reviewed and is in proper alignment under ANSUL nozzles.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445017	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 06/16/2015
NAME OF PROVIDER OR SUPPLIER ASBURY PLACE AT MARYVILLE			STREET ADDRESS, CITY, STATE, ZIP CODE 2848 SEVIERVILLE RD MARYVILLE, TN 37804		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 069	Continued From page 4 appliances below the kitchen hood. The findings include: Observation on 6/16/15 at 3:00 PM revealed the deep fat fryer in dietary has been moved and now the nozzle for the ANSUL system is not providing adequate coverage for the deep fat fryer. This finding was verified by the maintenance and acknowledged by the administrator during the exit conference on 6/18/15. NFPA 17A 3-5.1	K 069	4. How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e. what quality assurance program will be put into place. Audit of ANSUL nozzles and equipment will be done monthly for 3 months and, following that, quarterly for 2 quarters.	7/31/15	
K 072 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD Means of egress are continuously maintained free of all obstructions or impediments to full instant use in the case of fire or other emergency. No furnishings, decorations, or other objects obstruct exits, access to, egress from, or visibility of exits. 7.1.10 This STANDARD is not met as evidenced by: Based on observation, the facility failed to have the means of egress free of all obstructions and impediments. The findings include: Observation on 6/16/15 at 10:55 AM revealed the exit to the patio area is obstructed by a wheel chair and a stand. This finding was verified by the maintenance and acknowledged by the administrator during the exit	K 072	K 072 NFPA 101 LIFE SAFETY CODE- EGRESS FREE OF OBSTRUCTIONS- 7.1.10 1. What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice? The wheelchair and stand identified as obstructing the exit to the patio door was removed on 6/17/15.	7/31/15	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445017	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 06/16/2015
NAME OF PROVIDER OR SUPPLIER ASBURY PLACE AT MARYVILLE			STREET ADDRESS, CITY, STATE, ZIP CODE 2648 SEVIERVILLE RD MARYVILLE, TN 37804		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 072 K 130 SS=D	Continued From page 5 conference on 6/16/15. NFPA 101 MISCELLANEOUS OTHER LSC DEFICIENCY NOT ON 2786 This STANDARD is not met as evidenced by: 1. Based on observation, the facility failed to maintain the 2 hour fire rating of the generator room. The findings include: Observation on 6/16/15 at 10:20 AM revealed the 2 hour fire rated generator room has unsealed penetrations in the wall and the door closer for the fire door has been disconnected. NFPA 110 5-2.1, NFPA 80 2-4.1.2* This finding was verified by the maintenance and acknowledged by the administrator during the exit conference on 6/16/15. 2. Based on observation and testing, the facility failed to have magnetically locked doors release with the fire alarm. The findings include: Observation and testing on 6/16/15 at 2:47 PM revealed 2 of 10 observed delayed egress doors located at the 2nd floor south stairwell and 2nd floor short hall did not release when the fire alarm was activated, NFPA 72 3-9.7.2	K 072 K 130	2. How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken. Maintenance staff inspected all exit doors and removed any other obstructions from exits on 6/17/2015. 3. What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur. The Facilities Director and/or Therapy Director will educate therapy staff on all means of egress being continuously maintained free of all obstructions or impediments to insure full and instant use in case of fire or other emergency by July 31, 2015. <i>Cont separate page CPMH</i> <i>K-130 next page -</i>	7/31/15	

K-072
Cont

DATE
7/31/15

4. How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e. what quality assurance program will be put into place.

The Director of Facilities and/or maintenance and therapy staff will visibly monitor exits and egress during daily inspection rounds. Any obstructions will be immediately removed. Any significant trends will be reported to Quality Assurance committee, which meets at least quarterly and consists of the Medical Director, Pharmacist, Director of Nursing, Administrator, Staff Development Coordinator, Clinical Mentors, Dietician, and Social Workers.

K-130

**K 130 NFPA 101 MISCELLANEOUS-
GENERATOR ROOM**

7/31/15

1. What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice?

The penetrations found will be sealed with NFPA approved fire caulk by July 31, 2015.

The maintenance staff will re-install the door closure on the generator room fire door by July 31, 2015.

SimplexGrinnell has been contracted to troubleshoot /repair and reprogram the magnetic door locks on the delayed egress doors on 2nd floor south stairwell and the 2nd floor short hall to ensure that they release when the alarm is activated.

This work is to be completed by 7/31/2015.

Continued
CPM

K-130

2. **How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken.**

1.) The Facilities Director and/or maintenance staff will inspect all generator rooms and other utility rooms for proper fire ratings and ensure there are no penetrations.

All doors on the same rooms will be inspected to insure fire door hardware are in place and operational.

2.) The Facilities Director and/or maintenance staff will

inspect all delayed doors thru-out the facility to insure they operate correctly with fire alarm system by July 31, 2015.

3. **What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur.**

The Facilities Director will educate the maintenance staff as to the proper functionality of all magnetic locking doors and how to observe for/repair penetrations when indicated by July 31, 2015.

4. **How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e. what quality assurance program will be put into place.**

Continued another page -
CPH

K-130

cont.

7/31/15

The Director of Facilities and /or the maintenance staff will monitor and inspect doors and magnetic locks during monthly fire safety inspections. They will also check magnetic lock door operations during monthly fire drills to insure they release when alarm is activated.

Any significant trends will be reported to Quality Assurance committee, which meets at least quarterly and consists of the Medical Director, Pharmacist, Director of Nursing, Administrator, Staff Development Coordinator, Clinical Mentors, Dietician, and Social Workers.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445017	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____	(X3) DATE SURVEY COMPLETED 06/16/2015
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NAME OF PROVIDER OR SUPPLIER

ASBURY PLACE AT MARYVILLE

STREET ADDRESS, CITY, STATE, ZIP CODE

2648 SEVIERVILLE RD

MARYVILLE, TN 37804

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE PRECEDED BY FULL IDENTIFYING INFORMATION)	(X5) COMPLETION DATE
K 147 SS=D	<p>NFPA 101 LIFE SAFETY CODE STANDARD</p> <p>Electrical wiring and equipment is in accordance with NFPA 70, National Electrical Code, 9.1.2</p> <p>This STANDARD is not met as evidenced by: Based on observation and testing, the facility failed to have electrical wiring in accordance with NFPA 70 National Electrical Code.</p> <p>The findings include:</p> <p>Observation and testing on 6/16/15 at 11:20 revealed in dietary over the double sink is not provided with a ground fault current interrupter (GFCI) and this electrical outlet shows an open ground. The 2nd floor pantry room is not provided with a ground fault current interrupter (GFCI) by the sink. NFPA 70 210-8</p>	K 147	<p>K 147 NFPA 101 LIFE SAFETY CODE- ELECTRICAL WIRING AND EQUIPMENT- NFPA 70</p> <ol style="list-style-type: none"> 1. What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice? A GFCI receptacle will be in working order over the double sink in dietary by July 31, 2015. Install GFCI receptacle in the A GFCI receptacle will be in working order over the 2nd floor pantry room left side of the sink by 7/31/2015. 2. How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken. Director of Facilities and/or maintenance staff will inspect the facility to determine if there are any additional infractions to this code by 7/31/15. 3. What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur. The Director of Facilities will provide education to the maintenance staff on proper placement of GFCI receptacles in moisture areas by 7/31/15. 	7/31/15

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TN0505	(X2) MULTIPLE CONSTRUCTION A. BUILDING: 01 - MAIN BUILDING 01 B. WING _____	(X3) DATE SURVEY COMPLETED 06/16/2015
NAME OF PROVIDER OR SUPPLIER ASBURY PLACE AT MARYVILLE		STREET ADDRESS, CITY, STATE, ZIP CODE 2648 SEVIERVILLE RD MARYVILLE, TN 37804		
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N 002	1200-8-6 No Deficiencies During the Life Safety portion of the annual Licensure survey conducted on 6/16/15, no deficiencies were cited under 1200-8-6, Standards for Nursing Homes.	N 002 K-147 Cont.	4. How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e. what quality assurance program will be put into place. GFCI receptacles will be added to regularly scheduled inspection rotation to be performed quarterly with results and location to be documented upon each inspection. The Facilities Director and/or Maintenance staff will conduct these inspections and record compliance and/or necessary changes, repairs, or additions.	7/31/15

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

DATE FORM

8990

B48Z21

If continuation sheet 1 of 1

Affidavit

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Davidson

Marjorie Shonnard, being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Tennessee Health Services and Development Agency and T.C.A. § 68-11-1601, *et seq.*, and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.



COO, Asbury, Inc.

Signature/Title

Sworn to and subscribed before me this the 14th day of August, 2015, a Notary Public in and for the County of Davidson, State of Tennessee.



My Commission expires September 11, 2017

My Commission Expires SEPT. 11, 2017

HF-0056

Revised 7/02 - All forms prior to this date are obsolete

Letters of Support

BLOUNT COUNTY BOARD OF COMMISSIONERS



STEVE SAMPLES

**DISTRICT 3, SEAT A
1217 KARINA CIRCLE
MARYVILLE, TENNESSEE 37804
866-984-6238**

*Chairman,
Pro Tempore*

July 17, 2015

**Tennessee Health Services Development Agency
500 Deaderick Street
Nashville, TN 37242**

RE: Certificate of Need for Asbury Place at Maryville

To Whom it May Concern:

This letter is in support of Asbury Place's request for a Certificate of Need for renovations to its 165-bed skilled nursing home facility in Maryville. The facility is located in my commission district. I have represented this district over 21 years on the Blount County Board of Commissioners.

The proposed renovations will enable Asbury Place to provide a homelike environment that offers privacy and choice to their residents. The Asbury Place setting offers residents the opportunity to direct their own lives and enhance their quality of life.

Top quality healthcare facilities are certainly a key to the well-being of our Blount County community and its economic growth. I appreciate Asbury Place's modern approach to senior care and recognize how these improvements will benefite the residents of my district, our county, and this region.

Asbury Place has always been a good neighbor in our community. I urge you to consider their application for the proposed renovations.

Thank you for your time and attention to this matter.

Sincerely,

**Steve Samples
Blount County Board of Commisioners
District 3**

JOHN J. DUNCAN, JR.
2ND DISTRICT, TENNESSEE

2207 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-4202
PHONE: (202) 225-5435
FAX: (202) 225-6440

800 MARKET STREET, SUITE 110
KNOXVILLE, TN 37902
PHONE: (865) 523-3772
FAX: (865) 544-0728

331 COURT STREET
MARYVILLE, TN 37804
PHONE: (865) 984-5464
FAX: (865) 984-0521

Congress of the United States
House of Representatives
Washington, DC 20515-4202

COMMITTEES:
TRANSPORTATION AND INFRASTRUCTURE
VICE CHAIRMAN
SUBCOMMITTEES:
HIGHWAYS AND TRANSIT
RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS
AVIATION
OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEES:
NATIONAL SECURITY
TRANSPORTATION AND PUBLIC ASSETS

July 17, 2015

Tennessee Health Services And Development Agency
665 Mainstream Drive, Floor 2
Nashville, Tennessee 37228

RE: Certificate of Need for Asbury Place at Maryville

To Whom It May Concern:

This letter is in support of Asbury Place's request for a Certificate of Need for renovations to its skilled nursing home facility in Maryville, which is in the district I represent.

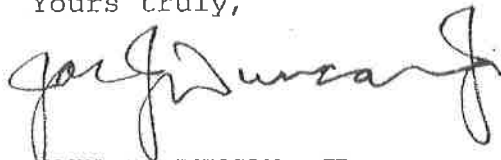
Asbury Place's approach to care focuses on the resident. The planned renovations will enhance this focus by providing a homelike setting that offers privacy, choices and opportunities for residents to direct their own lives.

High-quality health care options are important to any region's quality of life and economic development. However, Blount County's 65 and older population is larger than the state's average, so we have a particular responsibility to provide enhanced facilities for senior care within the county.

Facility renovations like those planned at Asbury Place will provide options for superior health care for the area's current and future seniors. I appreciate your consideration of Asbury Place's Certificate of Need application.

With kindest regards, I am

Yours truly,



JOHN J. DUNCAN, JR.
Member of Congress



OUR COMMUNITY.

OUR PRIORITY.

July 17, 2015

Tennessee Health Services and Development Agency
500 Deaderick Street
Nashville, TN 37242

To Whom It May Concern:

I am writing in support of Asbury Place's request for a Certificate of Need to complete renovations at its skilled nursing facility in Maryville. The planned renovations would allow Asbury Place to provide top-quality senior care that still feels like home with privacy, choice and a vibrant lifestyle.

As a premier provider of nonemergency ambulance service in Blount County, Priority Ambulance works regularly with staff and residents at Asbury Place in Maryville for transportation to and from doctor's appointments and hospital visits.

Additionally, Priority Ambulance has expanded our partnership with Asbury Place to place an ambulance and medical personnel at the facility around-the-clock to further improve resident health and safety. We enjoy working with Asbury Place's caring, skilled staff members because they are committed to the residents' well-being and creating a homelike environment.

On a personal level, I have served on many civic and public boards, and often work alongside Asbury Place leadership. I have seen firsthand Asbury Place's involvement in the community and its commitment to making Blount County a better place for seniors.

I strongly ask that you consider Asbury Place's CON application and help provide Blount County with a top-quality medical facility for seniors.

Thank you for your time.

Sincerely,

Rob Webb
Vice President of Tennessee Operations

910 Callahan Road, Suite 101 • Knoxville, TN 37912

NONEMERGENCY TRANSPORT: 865-688-4999

PRIORITYAMBLANCE.com



State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

September 1, 2015

Michael Brent, Esq.
Bradley, Arant, Boult, Cummings LLP.
1600 Division St, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application -- The Asbury Place at Maryville - CN1508-035
For the construction of a building on Asbury Place at Maryville's existing Continuing Care Retirement Community campus to house 22 of its skilled nursing beds and the renovation of its existing 181 bed facility into a 159 bed facility located at 2648 Sevierville Road, Maryville (Blount County), Tennessee 37804. The estimated project cost is \$8,192,393.

Dear Mr. Brent:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health for Certificate of Need review by the Division of Policy, Planning and Assessment. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is Trent.Sansing@tn.gov or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on September 1, 2015. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on November 18, 2015.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (6) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (7) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,



Melanie M. Hill
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA



State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243


www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: Melanie M. Hill 
Executive Director

DATE: September 1, 2015

RE: Certificate of Need Application
The Asbury Place at Maryville - CN1508-035

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on September 1, 2015 and end on November 1, 2015.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Michael Brent



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364


Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in The Daily Times, which is a newspaper of general circulation in Blount County, Tennessee, on or before August 10, 2015, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Asbury Place at Maryville, an existing licensed nursing home owned by Asbury, Inc., a non-profit corporation, intends to file an application for a Certificate of Need for the construction of a building on its existing campus to house twenty-two (22) of its skilled nursing beds and the renovation of its existing one hundred eighty-one (181) bed facility into a one hundred fifty-nine (159) bed facility. The existing facility currently is and will continue to be managed by an affiliated entity known as The Asbury Group. The Asbury Group will also manage the new building. The location of Asbury Place at Maryville is 2648 Sevierville Road, Maryville, Tennessee 37804 (Blount County), and the estimated project cost is \$8,192,393.

The anticipated filing date of the application is on or before August 14, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babbc.com.


(Signature)


(Date)

mbrent@babbc.com
(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364


Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in The Kingsport Times, which is a newspaper of general circulation in Hawkins County, Tennessee, on or before August 10, 2015, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Asbury Place at Kingsport, an existing licensed nursing home owned by Asbury, Inc., a non-profit corporation, intends to file an application for a Certificate of Need for the construction of a building on its existing campus to house twenty-two (22) of its skilled nursing beds and the renovation of its existing sixty-seven (67) bed facility into a forty-five (45) bed facility. The existing facility currently is and will continue to be managed by an affiliated entity known as The Asbury Group. The Asbury Group will also manage the new building. The location of Asbury Place at Kingsport is 100 Netherland Lane, Kingsport, Tennessee 37660 (Hawkins County), and the estimated project cost is \$7,904,823.

The anticipated filing date of the application is on or before August 14, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babbc.com.


(Signature)


(Date)

mbrent@babbc.com
(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in Tennessean, which is a newspaper of general circulation in Davidson County, Tennessee, on or before August 10, 2015, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Saint Thomas Medical Partners (a Tennessee nonprofit corporation wholly owned by Saint Thomas Network, which is a Tennessee nonprofit corporation wholly owned by Saint Thomas Health, a Tennessee nonprofit corporation), intends to file an application for a Certificate of Need for the acquisition of an MRI and initiation of MRI services, to be owned and managed by the applicant. The MRI service is currently provided in a physician practice located at 2214 Elliston Place, Suite 200, in Nashville, Tennessee, 37203. The existing equipment, a GE Horizon short bore MRI with magnet strength of 1.5 Tesla, will be purchased as part of the acquisition of the physician practice and the MRI will continue to be used for the patients of the practice. The estimated project cost is \$2,213,165.

The anticipated filing date of the application is on or before August 14, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babbc.com.


(Signature)


(Date)

mbrent@babbc.com
(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.



LETTER OF INTENT

TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal which is a newspaper
(Name of Newspaper)
of general circulation in Shelby and other counties in, Tennessee, on or before August 10, 2015,
(County) (Month / day) (Year)
for one day.

=====

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that: Baptist Memorial Hospital, a Corporation owned by itself, intends to file an application for a Certificate of Need for the construction and establishment of a satellite Emergency Department to be operated under the license of Baptist Memorial Hospital. The proposed new facility will have 12 treatment rooms and will include various supportive services such as CT, X-Ray and ultra-sound. Baptist Memorial Hospital is located at 6019 Walnut Grove Road, Memphis, Shelby County, Tennessee 38120. The building containing the proposed satellite emergency facility and other community-based health services will be located on a site near the intersection of Kirby and Quince Road on property addressed as 6525 Quince Road, Memphis, TN, 38119. This project does not involve additional inpatient beds, major medical services or initiation of new services for which a certificate of need is required. The total project cost for purposes of the certificate of need application is estimated at \$18,457,700.

The anticipated date of filing the application is: August 14, 2015

The contact person for this project is Arthur Maples Director Strategic Analysis
(Contact Name) (Title)

who may be reached at: Baptist Memorial Health Care Corporation 350 N Humphreys Blvd
(Company Name) (Address)

Memphis TN 38120 901 / 227-4137
(City) (State) (Zip Code) (Area Code / Phone Number)

Arthur Maples 8/7/2015 arthur.maples@bmhcc.org
(Signature) (Date) (E-mail Address)

=====

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address: **Health Services and Development Agency
Andrew Jackson Building
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243**

=====

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.



LETTER OF INTENT

TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal which is a newspaper
(Name of Newspaper)
of general circulation in Shelby and other counties in, Tennessee, on or before August 10, 2015,
(County) (Month / day) (Year)
for one day.

=====

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that: Baptist Memorial Hospital, a Corporation owned by itself, intends to file an application for a Certificate of Need for the construction and establishment of a satellite Emergency Department to be operated under the license of Baptist Memorial Hospital. The proposed new facility will have 10 treatment rooms and will include various supportive service such as CT, X-Ray and ultra-sound. Baptist Memorial Hospital is located at 6019 Walnut Grove Road, Memphis, Shelby County, Tennessee 38120. The building containing the proposed satellite emergency facility and other community-based health services will be located near the intersection of Highway 64 and Canada Road in Lakeland, TN, 38002. This project does not involve additional inpatient beds, major medical services or initiation of new services for which a certificate of need is required. The total project cost for purposes of the certificate of need application is estimated at \$18,718,029.

The anticipated date of filing the application is: August 14, 2015

The contact person for this project is Arthur Maples Director Strategic Analysis
(Contact Name) (Title)

who may be reached at: Baptist Memorial Health Care Corporation 350 N Humphreys Blvd
(Company Name) (Address)

Memphis TN 38120 901 / 227-4137
(City) (State) (Zip Code) (Area Code / Phone Number)

Arthur Maples 8/7/2015 arthur.maples@bmhcc.org
(Signature) (Date) (E-mail Address)

=====

The Letter of Intent must be **filed in triplicate and received between the first and the tenth day of the month**. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address: **Health Services and Development Agency
Andrew Jackson Building
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243**

=====

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Supplemental #1 -Original-

The Asbury Place at
Maryville

CN1508-035

August 31, 2015**9:46 am****State of Tennessee****Health Services and Development Agency**

Frost Building, 3rd Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

August 28, 2015

Michael D. Brent
Attorney
Bradley Arant Boult Cummings LLP
1600 Division Street, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application, CN1508-035
Asbury Place at Maryville

Dear Mr. Brent:

This will acknowledge our August 14, 2015 receipt of your application for a Certificate of Need for the construction of a building on Asbury Place at Maryville's existing Continuing Care Retirement Community campus to house 22 of its skilled nursing beds and the renovation of its existing 181 bed facility into a 159 bed facility located at 2648 Sevierville Road, Maryville (Blount County), Tennessee 37804.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 noon, Friday, August 28, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section A, Applicant Profile, Item 1

The City, State and Zip Code of the applicant are misaligned. Please correct and resubmit.

RESPONSE: The alignment of the City, State, and Zip Code has been corrected in the replacement page 9 attached hereto as Attachment 1 - R-9.

2. Section A, Applicant Profile, Item 5

August 31, 2015

9:46 am

Please provide a list of other healthcare facilities with which the management/operating entity has affiliations and/or management contracts.

RESPONSE:

Asbury, Inc. ("Asbury") owns Asbury Place at Kingsport and Asbury Place at Maryville. Asbury has contracted The Asbury Group, Inc. ("TAG") to manage both facilities.

Asbury has no additional affiliations with healthcare facilities. TAG is a subsidiary of Asbury Communities, a 501(c)3 organization that includes five Continuing Care Retirement Communities in Pennsylvania, Maryland, and Oklahoma. Those are:

Asbury Methodist Village
Gaithersburg, MD

Asbury Solomons Island
Solomons, MD

Bethany Village
Mechanicsburg, PA

Springhill
Erie, PA

Inverness Village
Tulsa, OK

3. Section A, Applicant Profile, Item 9

It is noted that the applicant has 117 Medicaid and 64 Medicare beds in the Bed Complement Data Chart. Please clarify if beds can be designated in this manner according to the Linton Law.

RESPONSE: As required by the Linton Law, all beds are currently dually certified for Medicare and Medicaid. Please see replacement page R-11 reflecting the corrected bed complement chart attached hereto as Attachment 2 - Revised Bed Complement Chart.

4. Section A, Applicant Profile, Item 13

Please discuss the reason the applicant is not contracted with AmeriGroup.

RESPONSE: The Applicant's AmeriGroup contract is in effect and is currently undergoing the renegotiation process.

5. Section B, Project Description, Item 1

Please provide an overview of the applicant's Continuing Care Retirement Community campus and capacity.

RESPONSE: The Applicant's continuing care retirement community campus consists of an assisted living facility licensed for 99 beds, 81 independent living

units consisting of cottages and apartments, and a skilled nursing facility licensed for 181 beds.

Please describe the structure that will house the proposed SNF facility.

RESPONSE: The proposed SNF will be a one-story building with 22 private rooms designed to look and operate like a home. Consequently, each room will have its own bathroom, there will be common spaces available for patients' use, such as an activities area, a dining room, as well as assorted patios and porches near the entrance, the courtyard, and the rear of the SNF.

Who is eligible for residence at Asbury Place at Maryville?

RESPONSE: The Applicant offers services to those over the age of 62. The Applicant also provides services to private pay and Medicare/Medicaid-eligible seniors in its assisted living and skilled nursing facilities.

Does the applicant charge residents any one-time entrance fee and monthly maintenance fees? If so, do they subsidize the Asbury Place Maryville?

RESPONSE: Independent living residents pay an entrance fee that is 90% refundable for independent living apartments and cottages; thus, 90% of each entrance fee is returned to patients upon the termination of their residency on the Applicant's campus. Monthly fees vary according to the level of care and are utilized to support operations.

Please describe the skilled nursing services, therapies, and amenities that will be offered at the newly constructed 22-bed facility.

RESPONSE: The new SNF will be primarily for long term care, private pay residents and will offer meals, assistance with Activities of Daily Living, nursing care services, and activities. If a Medicare A or Medicare B patient needs therapy, it will be offered in either the existing building or the new building.

Please clarify if skilled beds will remain at the existing 181 bed facility.

RESPONSE: Skilled services will primarily be offered in the existing renovated building, which will have capacity for 159 beds following the renovation, but skilled services will also be available in the new 22 bed building.

What are the sizes of the existing patient rooms and the proposed?

RESPONSE: The existing patient rooms are either 205 SF or 265 SF for private rooms, while semi-private rooms vary at be 285 SF, 325 SF, 550 SF, 560 SF, or 620 SF.

Private patient rooms will be 205 SF or 265 SF in the renovated building, while they will be 275 SF in the SNF to be constructed.

Following renovation, semi-private patient rooms will be 285 SF, 325 SF, 550 SF, 560 SF, and 620 SF.

6. Section B, Project Description, Item II.A.

August 31, 2015

9:46 am

The square footage and cost per square footage chart is noted. However, please complete the last three columns for proposed final Cost/SF for renovated, new, and total and resubmit. In addition, please also complete section "A. Unit/Department".

RESPONSE: Please find attached hereto as Attachment 3 - Revised Square Footage Chart reflecting cost/SF and completed unit/department section. Please note the revised chart indicates a slight revision to the square footage and "per square foot" costs, as were shown in the original application (as recalculated, 62,930 square feet of renovated space, at \$46.91 per SF, and 13,185 square feet of new space, at \$197.45 per SF). The slight reduction in the total construction cost has been added to the contingency fund. Please also see R-32 attached hereto at Attachment 7 - Replacement Pages 28, 29, and 32.

What is current and what will be the private vs. semi-private accommodations mix? Please complete the chart below.

	Current Rooms	Current Beds	Proposed Rooms	Proposed Beds
Ward Rooms	11	44	N/A	N/A
Semi-private Rooms	61	122	70	140
Private Rooms	15	15	41	41
Total Beds/Rooms	77	181	111	181

7. Section C. Need, Renovation, Expansion, and Replacement, Item 3.a. and 3.b.

Please indicate the staffed and licensed bed occupancy of the applicant for the last three reporting periods and discuss how it relates to existing demand for the proposed project.

RESPONSE: The Applicant is not adding any beds for this project. Instead, the Applicant is addressing demand in the market for updated buildings and additional private rooms to provide a higher quality of life for those it serves. Please note, though the Applicant is licensed for 181 beds as shown above, it currently only staffs 165 of the beds in an attempt to meet the demands for additional private rooms within the constraints of its current layout. Forty-four of the Applicant's licensed beds were originally in 4-bed wards, an outmoded accommodation option which is no longer in sync with patient demand in the Applicant's market. In an effort to meet such demand, the applicant transformed many of its 4-bed wards into semi-private rooms, consequently reducing its number of staffed beds by 16 from the 181 for which it is licensed to 165.

Using the total number of licensed beds, the Applicant has experienced occupancy rates of 89%, 90.8%, and 87.1% in the last three reporting periods. If, however, the number of currently staffed beds is used instead, the Applicant has experienced consistently high occupancy rates of 97.7%, 99.57%, and 95.5% in the last three reporting periods. Though the Applicant has staffed between 170 and 165 beds over the last three reporting periods, 165 is more representative of demand than the number of licensed beds, since using the latter falsely lowers the Applicant's census numbers because it includes beds they are not and, due to configuration, cannot be used in the Applicant's current SNF. Therefore, as currently operated, the Applicant is near capacity, so there is demand for the project, allowing it to accommodate an obvious need in the community.

Please explain the reason the applicant needs additional private rooms.

RESPONSE: As mentioned above, the existing building still has four-bed wards, which, taking into consideration today's standards and market demands, represent an outdated method of providing short-term and long-term care services, privacy, integrity and increased quality of life. Patients and their families are demanding more and more private and semi-private rooms, so the Applicant seeks to adjust its distribution of beds to meet market demands.

Please discuss if the existing facility could be renovated or expanded to accommodate additional private rooms.

RESPONSE: Working within the constraints of the existing building, the Applicant has already exerted its best efforts to create as many private and semi-private rooms as possible in the existing building by reducing the number of staffed beds in order to enable the Applicant to convert many wards into semi private rooms, and converting semi private rooms in the private rooms. In order to adequately meet the demands of the market for more private rooms and the demands of patient quality of life for more home-like environments, the renovation of the existing building coupled with the construction of the new 22-bed SNF is the best method of accomplishing both of these goals. The Applicant is trying to ensure that its SNF services simulate as closely as possible the home environment, ensuring that patients feel more at home than they would in a more clinical setting, and improving quality of life and patient satisfaction; therefore the project is the only way in which to accomplish these goals in a meaningful way while maintaining the applicant's ability to continue to meet existing and projected need. There will still be some semi-private rooms, as there is still a desire and/or need by some patients for a semi-private room.

What is the age of the existing facility?

RESPONSE: The existing facility is 47 years old as it was built in 1968.

8. Section C, Need, Item 4.A.

Your response to this item is noted. Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for each county in your proposed service area.

<i>Variable</i>	<i>Blount</i>	<i>Service Area</i>	<i>Tennessee</i>
<i>Current Year (2015), Age 65+</i>	23,812	23,812	1,021,937
<i>Projected Year (2019), Age 65+</i>	26,507	26,507	1,134,565
<i>Age 65+, % Change</i>	11.1%	11.1%	12%
<i>Age 65+, % Total (PY)</i>	19.3%	19.3%	16.5%
<i>CY, Total Population</i>	129,973	129,973	6,649,438
<i>PY, Total Population</i>	137,058	137,058	6,894,997
<i>Total Pop. % Change</i>	5.5%	5.5%	3.7%
<i>TennCare Enrollees</i>	22,097	22,097	1,433,687

<i>TennCare Enrollees as a % of Total Population</i>	17%	17%	21.6%
<i>Median Age (2010)</i>	41	41	38
<i>Median Household Income</i>	\$45,991	\$45,991	\$44,298
<i>Population % Below Poverty Level</i>	13.7%	13.7%	17.6%

8. Section C., Need, Item 5

The table on the bottom of page 28 is noted. However, 94.56% occupancy for the applicant (Asbury Place at Maryville) for 2013 appears to actually be 87%. Please recalculate, verify and submit a replacement page if necessary.

RESPONSE: Please see replacement page 28 (R-28) attached hereto as Attachment 7 – Replacement Pages 28, 29, and 32.

Please complete the chart below breaking out the bed accommodation mix by nursing home facility in the Blount County service area.

Service Area Patient Accommodation Mix-Most Recent JAR Period

Nursing Home	Licensed Beds	Total Private Beds	Total Semi-Private Beds	Total Companion Beds	Ward Beds
The Applicant	181	15	122	N/A	44
Blount Memorial Transitional Care Center	76	44	32	N/A	N/A
Kindred Nursing and Rehabilitation – Fairpark	75	N/A	36	N/A	39
Kindred Transitional Care and Rehabilitation – Maryville	187	18	162	N/A	7
Shannondale of Maryville Health Care Center	44	44	N/A	N/A	N/A
Service Area Totals	563	121	352	N/A	90
<i>Proposed Project</i>	<i>181</i>	<i>41*</i>	<i>140</i>	<i>N/A</i>	<i>N/A</i>

*Note that the larger private rooms can be converted into semi-private rooms to meet demand.

Please complete the following table for all licensed nursing homes located in Blount County:

Nursing Home	2013 Lic.'d Beds	2011 Patient Days	2012 Patient Days	2013 Patient Days	'11- '13 % Change	2011 % Occ.	2012 % Occ.	2013 % Occ.
The Applicant	181	58,836	59,964	57,527	-2.2%	89%	90.8%	87.1%
Blount Memorial Transitional Care Center	76	25,509	24,956	25,746	.9%	92%	90%	92.8%

Colonial Hills Nursing Home*	203	66,114	N/A	N/A	N/A	N/A	N/A	N/A
Kindred Nursing and Rehabilitation – Fairpark	75	26,153	25,683	20,820	20.4%	95.5%	93.8	76.1%
Kindred Transitional Care and Rehabilitation – Maryville	187	63,291	59,272	55,653	12.1%	92.7%	86.8%	81.5%
Shannondale of Maryville Health Care Center	44	15,390	14,829	14,829	3.6%	95.8%	92.3%	92.3
Total	563**	255,293	184,704	174,575	34.8%	93%	90.7%	86%

* No longer a licensed nursing home in Blount County.

** Does not include beds that are no longer licensed

Please discuss how the Long-term Care Community Choices Act of 2008 has impacted nursing home utilization rates in Sullivan County for years 2010, 2011, and 2012. The Long-term Care Community Choices Act of 2008 allows TennCare to pay for more community and home-based services for seniors such as household assistance, home delivered meals, personal hygiene assistance, adult day care centers and respite.

RESPONSE: The Choices program has impacted the Applicant's campus with a reduction in Medicaid residents, but the Applicant continues to serve a large demand for Medicaid-reimbursed nursing home services in Blount County, many of who require higher levels of care than patients admitted to nursing homes before the implementation of the Choices program. The Applicant is also serving more Medicare patients than were admitted prior to the implementation of the Choices program. Additionally, the Applicant serves Choices clients in both its Assisted Living building as well as through its HCBS program – Asbury at Home – a non-medical in home care service.

9. Section C, Need, Item 6

Your response to this item is noted.

Please complete the following table:

Asbury Place at Maryville Projected Utilization

Year	Licensed Beds	*Medicare-certified beds	SNF Medicare ADC	SNF Medicaid ADC	SNF Other ADC	NF ADC	Total ADC	Licensed Occupancy %
Year 1	181	181	29.9	46.8	81.3	158	N/A	87.29%
Year 2	181	181	30.4	47.6	82.7	160.7	N/A	88.79%

* Includes Medicare/Medicaid certified beds

Please explain the reason the applicant's average daily census declined from 164.54 in 2014 to 152.18 in 2015.

RESPONSE: To operate at maximum capacity, the Applicant would have to utilize its 4-bed wards, which are no longer appropriate for market demands. The decline in Average Daily Census in 2015 was a result of a deliberate attempt by the Applicant to meet rising patient demand for private and semi-private rooms by reducing the number of 4-bed wards in order to offer more private and semi-private rooms. Additionally, the decrease in the Average Daily Census was a result of a reduced number of Medicaid residents precipitated by a change in the acuity level needed to enter a nursing home.

On Page 29 why is there a projected decrease in Medicaid and increase in private pay from 2015 to 2020?

RESPONSE: The projected decrease is due to the change in the requirement for Medicaid-eligible residents to be in a nursing home and thus covered in their own homes with the Choices program services. As a result, the Applicant has received fewer Medicaid referrals, and many of the referred patients it receives do not pass the clinical pre-admission evaluation.

10. Section C. Economic Feasibility Item 1 (Project Cost Chart)

The letter from the architect is noted. However, please revise to reflect the following:

- 1) a general description of the project,
- 2) his/her estimate of the cost to construct the project to provide a physical environment, according to applicable federal, state and local construction codes, standards, specifications, and requirements and
- 3) attesting that the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the most recent AIA Guidelines for Design and Construction of Hospital and Health Care Facilities.

RESPONSE: The revised letter from the architect is attached hereto as Attachment 4 - Revised Architect Letter

Please specify line A.9 in the Project Costs Chart in the amount of \$209,432.

RESPONSE: The \$209,432 and line A.9 of the Project Costs Chart represents development fees. A revised Project Costs Chart is attached hereto as Attachment 5 - Revised Project Costs Chart.

Please describe Underwriting Costs in the amount of \$263,859.

RESPONSE: \$263,859 is an estimate provided by the lender for financing fees and other lender expenses anticipated for a loan of this amount.

Please provide a funding letter from the bond issuer.

RESPONSE: Please see the original letter from Ziegler, which the applicant believes does not require an additional letter from a bond issuer. Ziegler is a full-service investment bank and broker-dealer providing clients with various lending, strategic advisory and other financial services, which includes FHA/HUD financing, bond financing and other types of loans.

11. Section C, Economic Feasibility, Item 2

The funding letters for the proposed project is noted. However, the applicant states in the Executive Summary the project will be funded through tax-exempt bonds, but identifies a commercial loan as the source on page 32. Please clarify.

RESPONSE: Please see attached hereto revised pages R-14, R-15, and R-16 for the executive summary, which now confirms that the project is anticipated to be funded through a commercial loan. Pages R-14, R-15 and R-16 are attached hereto as Attachment 6 - Replacement Pages 14, 15, and 16.

What type of tax exempt bonds will finance the project?

RESPONSE: Please see the attachment referenced above indicating the project will be financed through a commercial loan. Please also see Attachment - Economic Feasibility, Item 2, correcting the exhibit cover page for Ziegler's letter regarding the commercial loan.

What is the bond rating of the applicant?

RESPONSE: The Applicant is not rated.

The funding letter is from Ziegler. Please provide an overview of the financing company.

RESPONSE: Ziegler is a full-service investment bank and broker-dealer providing clients with various lending, strategic advisory and other financial services, which includes FHA/HUD financing, tax-exempt bond financing and other types of loans.

The 35 year loan is noted. What is the interest expense over the life of the loan?

RESPONSE: Depending upon the interest rates at the time of the closing of financing, the interest rate is anticipated to be between 4-7%. Depending on the final interest rate and other variables at closing of the financing, total interest paid over the 35 year life of the loan is estimated to be between approximately \$7,049,162 and \$13,802,213.

12. Section C, Economic Feasibility, Item 4

The Projected Data Chart is noted. However, for Year One the time frame is for the Year ending 3/31/2018. The Project Forecast Chart indicates the initiation of the proposed project's service is August 2018. Please revise the

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Projected Data Charts to reflect information for the two years after the completion of the proposed project.

RESPONSE: Please see revised Projected Data Chart attached hereto as Attachment 8 – Revised Projected Data Chart and Attachment 7 – Replacement Pages 28, 29, and 32.

13. Section C, Economic Feasibility, Item 6.a

Please clarify the reason the applicant seems to have highest charges in service area.

RESPONSE: The Applicant has higher charges because it provides a higher level of service. Additionally, though the Applicant has higher charges, the difference between the Applicant's charges and those of other nursing homes in Blount County are within reason. On average, the difference ranges from rates \$30-\$60 more than those charged by its peers, which supports the expense of the higher level of service provided by the Applicant.

14. Section C, Economic Feasibility, Item 6.a

Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

RESPONSE: A comparison to CPT codes is not generally applicable to nursing home facilities, given that CPT codes are generally used for physician and/or hospital services, which are not necessarily always applicable in a nursing facility patient's case. A SNF must receive payment for the universe of services it offers whether or not a patient has been seen by a physician, so a comparison against other nursing homes in Blount County is more statistically significant than a review of CPT code charges. Please see the chart provided on page 34 of the originally submitted application for a comparison of the Applicant's proposed charges against Blount County nursing homes.

15. Section C, Economic Feasibility, Item 7

On the top of page 35 the applicant projects an average occupancy rate of 93% in Year One and 94.5% in Year Two. This appears to be in contrast to the Projected Data Chart which reflects an occupancy rate of 87.3% in Year One and 88.8% in Year Two.

RESPONSE: Please see replacement page 35 attached hereto as Attachment 9 – Replacement Page 35. The higher average occupancy rate for Year One reflected on page 35 is due to the Applicant's use of its projected staffed beds of 170 instead of its total licensed beds of 181. Though the lower Year One and Year Two numbers are the correct average occupancy rates using the total licensed beds, since the Applicant plans to initially staff only 170 of the beds (with the ability to increase staffed beds to 181 in response to need), the more appropriate average occupancy rates of the Applicant are 94.5% in Year One

and 94.8% in Year Two, which reflect the manner in which it currently operates and intends to initially set up the skilled nursing beds.

16. Section C, Economic Feasibility, Item 9

Please complete the following chart for the first year of operation

Payor	Gross Revenue	% of Total Revenues
Medicare	\$6,417,619	32.41%
Medicaid/TennCare	\$4,046,210	20.56%
Commercial insurance	\$2,636,551	13.33%
Self-Pay	\$6,667,318	33.71%
Total	\$19,777,697	100%

17. Section C, Economic Feasibility, Item 11

Is the total renovation of the existing building an alternative to new construction for the proposed project?

RESPONSE: Renovation of the existing building, coupled with the new 22 bed building, is a better alternative than all new construction for the proposed project, as all new construction would greatly increase the cost to the Applicant and cause disruption to the patients.

18. Section C. Contribution to the Orderly of Health Care, Item. C.3.

Please complete the following staffing chart representing all employees providing **direct** patient care services for the first year after project completion.

Positions	Existing FTE's	Proposed FTE's
Nursing Admin.	13.9	14.32
Nursing	105.3	107.9
Total	119.2	122.22

Please clarify why the applicant will not need additional staff to staff 2 buildings instead of only one.

RESPONSE: The reduction of beds in the existing building will result in a lower staffing requirement, so the Applicant will transition a portion of its staff to the new SNF.

19. Section C, Orderly Development, Item 7.d.

Please document with a letter from the Department of Health of the acceptance of the plan of correction submitted July 9, 2015.

RESPONSE: Please find the letter from the Department of Health accepting the Applicant's plan of correction attached hereto as Attachment 10 - DOH Letter of Acceptance.

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20. Section C, Orderly Development, Item 8 and 9

The applicant responded "not applicable". Please clarify.

RESPONSE: Due to an error on the original page 40, please see the replacement page R-40 attached hereto as Attachment 11 - Replacement Page 40.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is Tuesday October 20, 2015. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Mr. Michael Brent
August 28, 2015
Page 13

SUPPLEMENTAL #1

**August 31, 2015
9:46 am**

Phillip M. Earhart

Enclosure/PME

August 31, 2015

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AFFIDAVIT

August 31, 2015

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AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Davidson

NAME OF FACILITY: Asbury Place at Maryville

I, Marjorie Shonnard, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

 COO, Asbury, Inc.
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28th day of August, 2015,
witness my hand at office in the County of Davidson, State of Tennessee.


NOTARY PUBLIC



My commission expires September 11, 2017

HF-0043

Revised 7/02

My Commission Expires SEPT. 11, 2017

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Attachment 1 - R-9

Replacement Page 9

August 31, 2015**9:46 am****1. Name of Facility, Agency, or Institution**Asbury Place at Maryville
Name2648 Sevierville Road
Street or RouteBlount
CountyMaryville
CityTN
State37804
Zip Code**2. Contact Person Available for Responses to Questions**Michael D. Brent
NameAttorney
TitleBradley Arant Boult Cummings LLP
Company Namembrent@babbc.com
Email Address1600 Division Street, Suite 700
Street or RouteNashville
CityTN
State37203
Zip CodeAttorney
Association with Owner615-252-2361
Phone Number615-252-6361
Fax Number**3. Owner of the Facility, Agency or Institution**Asbury, Inc.
Name(865) 238-8300
Phone Number910 Wilder Chapel Lane
Street or RouteBlount
CountyMaryville
CityTN
State37804
Zip Code**4. Type of Ownership of Control (Check One)**

A. Sole Proprietorship _____

B. Partnership _____

C. Limited Partnership _____

D. Corporate (For Profit) _____

E. Corporation (Not-for-Profit) ☒ _____F. Government (State of TN or Political
Subdivision) _____

G. Joint Venture _____

H. Limited Liability Company _____

I. (Other) Specify _____

August 31, 2015

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Attachment 2 – Revised Bed Complement Chart

August 31, 2015**9:46 am****9. Bed Complement Data*****Please indicate current and proposed distribution and certification of facility beds.***

	Current Beds Licensed *CON		Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O. Nursing Facility Level 2	181	0	_____	0	181
P. ICF/MR	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency (Detox)	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
TOTAL	181	0	181	0	181

*CON-Beds approved but not yet in service

- 10. Medicare Provider Number** 445017
- Certification Type** Skilled Nursing Facility
- 11. Medicaid Provider Number** 445017, 7440217
- Certification Type** Nursing Facility
- 12. If this is a new facility, will certification be sought for Medicare and/or Medicaid?** N/A
- 13. Identify all TennCare Managed Care Organizations/Behavioral Health Organization (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants?** Yes. If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

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Attachment 3 - Revised Square Footage Chart

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

[illegible]

August 31, 2015

9:46 am

Attachment 4 - Revised Architect Letter

August 31, 2015**9:46 am**

August 27, 2015

Heath Services and Development Agency
Andrew Jackson Building
500 Deadrick Street, Suite 850
Nashville, TN 37243

Re: Certificate of Need Application
Asbury Place at Maryville
181 Skilled Beds
Maryville, TN

To Whom It May Concern:

I represent Action Pact Design, LLC, an architecture firm located in Manhattan, KS. Our firm has been retained by Asbury Place to provide planning, design and contract administration services for the renovation of their retirement community in Maryville, TN.

The project will consist of renovating the existing, 181 resident, multi-story skilled nursing building into households for 159 residents and construction of a new, 22 resident, single story, skilled nursing household. The new building will be approximately 13,185 square feet.

The preliminary design has been complete and will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the most recent AIA Guidelines for Design and Construction of Hospital and Health Care Facilities. The \$5.54 million construction cost estimate for the new construction of 22 skilled beds along with the renovation of the existing health care center to house 159 skilled beds will provide a suitable physical environment, according to applicable federal, state and local construction codes, standards, specifications, and requirements.

Sincerely,

Tracy Anderson, AIA

August 31, 2015

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Attachment 5 – Revised Project Costs Chart

August 31, 2015**9:46 am****PROJECT COSTS CHART- Maryville**

A. Construction and equipment acquired by purchase		
1.	Architectural and Engineering Fees	\$ 664,059
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$ 85,000
3.	Acquisition of Site	
4.	Preparation of Site	\$ 404,333
5.	Construction Costs	\$ 5,503,415
6.	Contingency Fund	\$ 696,070
7.	Fixed Equipment (Not included in Construction Contract)	\$ 347,833
8.	Moveable Equipment (List all equipment over \$56,000)	
9.	Other: <u>Development Fee</u>	\$ 209,432
B. Acquisition by gift, donation, or lease: Not Applicable.		
1.	Facility (inclusive of building and land)	
2.	Building only	
3.	Land only	\$
4.	Equipment (Specify) _____	
5.	Other (Specify) _____	
C. Financing Costs and Fees:		
1.	Interim Financing	\$
2.	Underwriting Costs	\$ 263,859
3.	Reserve of One Year's Debt Service	\$
4.	Other _____	\$
D.	Estimated Project Cost (A+B+C+)	\$ 8,174,001
E.	CON Filing Fee	\$ 18,392
F.	Total Estimated Project Cost (D+E)	\$ 8,192,393
TOTAL		\$ 8,192,393

SUPPLEMENTAL #1

August 31, 2015

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Attachment 6 - Replacement Pages 14, 15, and 16

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NOTE: **Section B** is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. **Section C** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the contribution to the Orderly Development of Health Care. **Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.**

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

RESPONSE:

Introduction and Background

Asbury operates senior housing communities in Maryville and Kingsport, Tennessee and has been fulfilling its mission of care giving since approximately 1956. Asbury health care facilities offer services ranging from nursing care and rehabilitative services to physical therapy. Asbury's communities are Continuing Care Retirement Communities, or CCRCs, which are based on a continuum of care concept that allows residents to choose the level of care they currently require, whether it is a room in an assisted living facility, an independent apartment, or a skilled nursing facility, but with the ability to transition to a different service level within the community should the need arise. Community members benefit from the ability to "age in place" in a location that they come to consider home, with and within their existing communities, friends and churches. The goal of the renovation is to ensure the ability to continue to provide a home environment for nursing home and assisted living residents that is modern and embodies characteristics synonymous with the true definition of a home: privacy, choice, and a purposeful and meaningful lifestyle.

The Applicant is a CCRC and its campus setting provides care ranging from independent living to assisted care to skilled nursing. As part of the Applicant's CCRC, the skilled nursing home (also referred to herein as the "Healthcare Building") houses 181 dually certified beds for a total licensed capacity of 181 beds. The Applicant, however, currently staffs 165

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of its 181 licensed beds, as it modified many of its four-bed wards into semi-private and several semi-private rooms into private rooms in response to increasing demand for those options.

The Applicant seeks to begin to transition its nursing care services from its aging, large institutional nursing home to nursing care provided in a smaller household of twenty two beds and a renovated institutional nursing home with a new and more home-based culture of resident-centered care. In order to minimize disruptions of patients on the campus, and particularly in the existing nursing home building, the Applicant is seeking a three (3) year period for completion of the project.

Construction of the new 22 bed "Long Term Care Household" building (the "LTCH") and renovation of the existing skilled nursing facility building (the "SNF"), which will be renovated into a 159 bed facility, will be started simultaneously. While construction of the LTCH is under way, renovation of the common areas of the SNF will be done. It is anticipated that the common area renovation in the SNF and the construction of the LTCH will take about the same amount of time, and once construction and licensure of the LTCH is complete, up to 22 patients will transition to the LTCH. At that time, renovation of the patient rooms in the SNF will begin, to be done in a systematic fashion as patients are temporarily moved within the SNF, creating minimal disruptions. While such a systematic renovation will take longer than renovating multiple rooms in the building at a time, the systematic approach will have a minimal impact on building occupancy, and therefore is projected to not materially impact the revenues of the Applicant during the project.

At the end of the renovation, the SNF will contain space for 159 beds in a combination of private and semi-private beds (which when added to the 22 beds in the LTCH will result in the same total (181 beds) as the Applicant is currently licensed to serve. After the renovation, the Applicant will initially staff 148 of its 159 beds but will be able to shift to its maximum capacity of 159 in as required by demand as some of the semi-private rooms will be set up as private rooms that will be converted to semi-private rooms, as patient demands necessitate.

Project Cost, Funding and Feasibility

The total estimated project cost is \$8,192,393, with construction costs totaling \$5,503,415, or 67.17% of total cost with 62,930 square feet of renovated space, at \$46.91 per SF and 13,185 square feet of new space, at \$197.45 per SF. As discussed later in the application, the new construction cost compares favorably with statewide nursing home construction projects from 2012-2014. The Applicant will finance the project with a loan from Ziegler, a long-time lender in the long-term care segment, as noted in the letter included with this application.

This project is economically feasible and will produce positive operating revenue by Year 1 of the project.

Staffing

August 31, 2015**9:46 am**

The Applicant anticipates hiring a few additional staff members to accommodate the proposed project.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

RESPONSE: The project involves new construction to add a building housing 22 skilled nursing beds to the existing CCRC campus and the renovation of the SNF to bring it up to date. The finished new construction will consist of 73,995 square feet. The cost per square foot for total space is approximately \$197.45 for new construction, or \$46.91 for renovation.

The skilled nursing building is part of the overall senior housing and active adult community, and serves a key role in allowing the Applicant to offer a complete array of supportive and long-term care services to individuals in the community. This comprehensive continuum of services will allow individuals to “age in place” within the community that they have made the choice to call home. The comprehensive development concept avoids dislocation of that individual from their friends, spouse, or church community when their health needs require additional services, or care in a residential health care facility. The LTCH model that Applicant proposes will enhance the lives of those served by allowing them to live in an environment that not only looks like a home but that lives like a home because it enables a

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Attachment 7 – Replacement Pages 28, 29, and 32

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The county has a very low minority population, with only approximately 8.6% of the population being of African American, Asian, Native American, or Hispanic/Latino ethnicity.

From 2009 to 2013, an estimated 13.7% of the population of Blount County lived below the poverty level, and the median household income for the same period of time was \$45,991, with an average of 2.5 persons per household.

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

RESPONSE: The Blount County service area continues to have a significant need for quality long-term care and other health care services. Although the Applicant's existing facility helps to meet the needs of Blount County, with the continuous population growth and the increasing need for nursing home services, renovating the Applicant's facilities will ensure that its facilities are consistent with other CCRC facilities services and other facilities.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

RESPONSE: There are currently 5 nursing homes in Blount County. Below is a chart that includes the occupancy rates for each of the 5 nursing homes located in Blount County (including the Applicant). Please note that the census numbers for the 2015 fiscal year reflect the Applicant's shift from 181 staffed beds to 165 staffed beds in order to accommodate additional private and semi-private rooms.

Average Daily Census for Nearby Nursing Homes

Facility	2012	2013	2014	2015
Blount County				
Asbury Place at Maryville	89.40%	87.1%	91.39%	92.12%*
Blount Memorial Transitional Care Center	90.0%	92.76%	**	**
Kindred Nursing and Rehabilitation – Fairpark	93.87%	76.0%	**	**
Kindred Transitional Care and Rehabilitation – Maryville	90.22%	84.72%	**	**
Shannondale of Maryville Health Care Center	92.27%	91.14%	**	**

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Sources: 2012 and 2013 Tennessee Joint Annual Reports; Facility's Internal Records

**Through March 2015. Staffed beds reduced from 180 to 165 for this fiscal year.*

***Information not currently available.*

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE: The following chart reflects the Applicant's average daily census by payor for the past three fiscal years:

**Applicant's Average Daily Census by Payor
(2012-Present)**

Payor	2012	2013	2014	2015*
Private Pay	37.31	37.57	46.45	46.41
Medicare	14.47	15.68	18.61	24.08
Managed Care	8.85	11.98	8.28	12.44
Medicaid	100.23	104.98	91.19	69.25
Total Patients:	160.86	170.22	164.54	152.18

Source: Applicant's internal records

**Through March 31, 2015*

The following chart contains the Applicant's projected annual utilization for the three fiscal years following completion of the project (2019 through 2021):

**Applicant's Projected Average Daily Census by
Payor (2019-2021)**

Payor	2019	2020	2021
Private Pay	66.5	66.5	66.5
Medicare	30.4	30.4	30.4
Managed Care	16.2	16.2	16.2
Medicaid	47.6	47.6	47.6
Total Patients:	160.7	160.7	160.7

The projected utilization statistics above are based upon the Applicant's experience with and statistical data for the existing facility.

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2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (**Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.**)

- ☒ **A** Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ **B** Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ **C** General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting;
- ☐ **D** Grants--Notification of intent form for grant application or notice of grant award; or
- ☐ **E** Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☐ **F** Other—Identify and document funding from all other sources.

RESPONSE: The source of funding for the proposed project will be provided by Zeigler, a well-known provider of financing for senior living providers. Please see Attachment Section C: Economic Feasibility – 2 for documentation from Zeigler.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

RESPONSE: The total estimated project cost is \$8,192,393. The construction cost is \$5,503,415 total, with 62,930 square feet of renovated space, at \$46.91 per SF, and 13,185 square feet of new space, at \$197.45 per SF. Renovated construction cost is below the 1st quartile of \$48.13 per square foot for statewide nursing home construction projects from 2012 to 2014.

**Statewide Nursing Home Construction Cost Per Square Foot
2012-2014**

	Renovated Construction	New Construction	Total Construction

August 31, 2015

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Attachment 8 – Revised Projected Data Chart

PROJECTED DATA CHART-Maryville SNF**August 31, 2015**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in APRIL (Month).

	Year <u>2019</u>	Year <u>2020</u>
A. Utilization Data (Resident Days)	58,665	58,825
B. Revenue from Services to Patients		
1. Inpatient Services	19,392,457	19,932,811
2. Outpatient Services	335,493	344,568
3. Emergency Services	-	-
4. Other Operating Revenue	49,746	50,990
(Specify)		
Gross Operating Revenue	<u>\$ 19,777,697</u>	<u>\$ 20,328,369</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	1,584,197	1,658,981
2. Provision for Charity Care	32,178	32,178
3. Provisions for Bad Debt	304,627	312,592
Total Deductions	<u>\$ 1,921,003</u>	<u>\$ 2,003,751</u>
NET OPERATING REVENUE	<u>\$ 17,856,694</u>	<u>\$ 18,324,618</u>
D. Operating Expenses		
1. Salaries and Wages	\$ 6,005,579	\$ 6,155,718
2. Physician's Salaries and Wages	\$ -	\$ -
3. Supplies	\$ 1,260,479	\$ 1,294,196
4. Taxes	\$ 638,352	\$ 638,352
5. Depreciation	\$ 1,538,767	\$ 1,558,132
6. Rent	\$ -	\$ -
7. Interest, other than Capital	\$ -	\$ -
8. Management Fees:	\$ -	\$ -
a. Fees to Affiliates	\$ -	\$ -
b. Fees to Non-Affiliates	\$ 1,123,359	\$ 1,153,269
9. Other Expenses (Contract Labor, Benefits, Other Exp.)	\$ 5,027,803	\$ 5,165,908
Total Operating Expenses	<u>\$ 15,594,339</u>	<u>\$ 15,965,575</u>
E. Other Revenue (Expenses) – Net (Specify)	\$ -	\$ -
NET OPERATING INCOME (LOSS)	<u>\$ 2,262,355</u>	<u>\$ 2,359,043</u>
F. Capital Expenditures		
1. Retirement of Principal	\$ 244,896	\$ 257,073
2. Interest	\$ 1,181,712	\$ 1,171,739
Total Capital Expenditures	<u>\$ 1,426,608</u>	<u>\$ 1,428,812</u>
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	<u>\$ 835,747</u>	<u>\$ 930,231</u>

August 31, 2015

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Attachment 9 – Replacement Page 35

August 31, 2015**9:46 am**

RESPONSE: The Applicant is projecting an average daily census of 160 patients or 58,665 patient days in Year 1, for an average annual occupancy rate of 94.5%. The Applicant projects an average daily census of 161 patients or 58,825 patient days in Year 2, for an average annual occupancy rate of 94.8%. The projected utilization is sufficient to render the project financially feasible as discussed below.

5. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

RESPONSE: This project is economically feasible, and will produce positive operating revenue by the end of Year One.

6. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

RESPONSE: Although the Applicant is a nonprofit corporation, the CCRC model is not intended to serve the medically indigent. The Applicant anticipates that Year One revenues will consist of approximately 46% Medicare and Medicaid, 44% private pay, and 10% managed care.

7. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

RESPONSE: Please see Attachment C: Economic Feasibility – 10.

8. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - i. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.
 - ii. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

August 31, 2015

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Attachment 10 – DOH Letter of Acceptance

August 31, 2015

9:46 am



STATE OF TENNESSEE
DEPARTMENT OF HEALTH
OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
7175 STRAWBERRY PLAINS PIKE, SUITE 103
KNOXVILLE, TENNESSEE 37914

August 12, 2015

Ms. Carolyn Neil, Administrator
Asbury Place at Maryville
2648 Sevierville Road
Maryville TN 37804

Re: 44-5017

Dear Ms. Neil:

The East Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety recertification survey/complaint investigation on June 15 - 17, 2015. An on-site revisit and desk review of the facilities plan of correction for the deficiencies cited as a result of the survey was conducted on August 3 and 10, 2015. Based on the on-site revisit and desk review, we are accepting your plan of correction and your facility is in compliance with all participation requirements as of July 31, 2015.

If you have any questions concerning this letter, please contact our office at (865) 594-9396.

Sincerely,

Karen B. Kirby, R.N.
Regional Administrator
ETRO Health Care Facilities

KK: afl

August 31, 2015

9:46 am

Attachment 11 – Replacement Page 40

August 31, 2015**9:46 am**

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

RESPONSE: None.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

RESPONSE: None.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

RESPONSE: If the proposal is approved, the Applicant will be happy to provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

August 31, 2015

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Attachment – Economic Feasibility, Item 2

Lender Exhibit Cover Page Replacement

August 31, 2015

9:46 am

Section C: Economic Feasibility – 2

Documentation from Lender

Supplemental #2

-Copy-

The Asbury Place at
Maryville

CN1508-035



State of Tennessee

Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364/Fax:615/532-9940

SUPPLEMENTAL #2

August 31, 2015

4:26 pm

August 31, 2015

Michael D. Brent
Attorney
Bradley Arant Boult Cummings LLP
1600 Division Street, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application, CN1508-035
Asbury Place at Maryville

Dear Mr. Brent:

This will acknowledge our August 31, 2015 receipt of supplemental information to your application for a Certificate of Need for the construction of a building on Asbury Place at Maryville's existing Continuing Care Retirement Community campus to house 22 of its skilled nursing beds and the renovation of its existing 181 bed facility into a 159 bed facility located at 2648 Sevierville Road, Maryville (Blount County), Tennessee 37804.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 4:00 noon, Monday, August 31, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section B, Project Description, Item II.A.

The revised square footage and cost per square footage chart is noted. However, there are calculation errors. In addition, please label the first column sections A-E. Please revise

The applicant has calculated the cost PSF at \$244.36 incorrectly. The applicant added the renovated Cost/SF (\$46.91) and new Cost/SF (\$97.45) together rather than obtaining an average. Please revise. In addition, please revise all other references in the application to reflect the revised Cost/SF for renovated, new, and total construction. Please submit replacement pages.

The chart reflecting the private and semi-private accommodations is noted. However, the column for current rooms totals 87 not 77. Please clarify.

RESPONSE: Please see Attachment 1 – Square Footage Chart.

2. Section C. Economic Feasibility Item 1 (Project Cost Chart)

Underwriting costs in the amount of \$263,859 is noted. If this project is being financed through a commercial loan why are there underwriting costs?

RESPONSE: 2. Underwriting costs have been included as an estimate of the loan origination fees, and related expenses, of the lender.

3. Section C, Economic Feasibility, Item 2

Please clarify if the proposed project will be financed by a tax exempt bond loan? If not, please specify what type of loan.

RESPONSE: The project is anticipated to be financed by a commercial loan either from, or arranged by, Zeigler. The confusion as to the type of financing may be related to the fact that while Zeigler does in fact originate tax-exempt bond financings, it also provides other types of financings for its clients, including commercial loans and HUD financings.

4. Section C, Economic Feasibility, Item 6

Replacement page 35 which list 46% Medicare and Medicaid does not match the following chart which was provided in supplemental one. Please clarify and submit replacement pages if necessary.

Payor	Gross Revenue	% of Total Revenues
Medicare	\$6,417,619	32.41%
Medicaid/TennCare	\$4,046,210	20.56%
Commercial insurance	\$2,636,551	13.33%
Self-Pay	\$6,667,318	33.71%
Total	\$19,777,697	100%

RESPONSE: The chart above correctly reflects the Medicare and Medicaid revenue. Please also find attached hereto replacement page R-35 in Attachment R-35 – Replacement Page 35.

5. Section C. Contribution to the Orderly of Health Care, Item. C.3.

A staffing chart was provided in supplemental one. However, please complete the following staffing chart by position representing all employees providing direct patient care services for the first year after project completion.

Positions	Existing FTE's	Proposed FTE's
Certified Nursing Assistant	57.92	59.35
Registered Nurses	21.06	21.58
Licensed Practical Nurses	26.33	26.98
Total	105.3	107.9

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void."

August 31, 2015

4:26 pm

For this application the sixtieth (60th) day after written notification is Tuesday October 20, 2015. If this application is not deemed complete by this date, the application will be deemed void. Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Phillip M. Earhart

Enclosure/PME

SUPPLEMENTAL #2

August 31, 2015

4:26 pm

AFFIDAVIT

August 31, 2015

4:26 pm

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Davidson

NAME OF FACILITY: Asbury Place at Maryville

I, Marjorie Shonnard, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



COO, Asbury, Inc.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 31st day of August, 2015, witness my hand at office in the County of Davidson, State of Tennessee.


NOTARY PUBLIC

My commission expires September 11, 2017.



HF-0043

Revised 7/02

My Commission Expires SEPT. 11, 2017

SUPPLEMENTAL #2

August 31, 2015

4:26 pm

Attachment 1 – Square Footage Chart

SUPPLEMENTAL #2

August 31, 2015
4:26 pm

August 31, 2015

4:26 pm

Attachment R-35 - Replacement Page 35

August 31, 2015**4:26 pm**

RESPONSE: The Applicant is projecting an average daily census of 160 patients or 58,665 patient days in Year 1, for an average annual occupancy rate of 94.5%. The Applicant projects an average daily census of 161 patients or 58,825 patient days in Year 2, for an average annual occupancy rate of 94.8%. The projected utilization is sufficient to render the project financially feasible as discussed below.

5. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

RESPONSE: This project is economically feasible, and will produce positive operating revenue by the end of Year One.

6. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

RESPONSE: Although the Applicant is a nonprofit corporation, the CCRC model is not intended to serve the medically indigent. The Applicant anticipates that Year One revenues will consist of approximately 53% Medicare and Medicaid, 34% private pay, and 13% managed care.

7. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

RESPONSE: Please see Attachment C: Economic Feasibility – 10.

8. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - i. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.
 - ii. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.